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99TH CONGRESS
2d Session
HOUSE OF REPRESENTATIVES
REPT. 99-598
Part 1

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1987

REPORT

OF THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H. Con. Res. 337

SETTING FORTH THE CONGRESSIONAL BUDGET FOR THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1987, 1988, AND 1989

TOGETHER WITH

DISSENTING, ADDITIONAL DISSENTING, AND SUPPLEMENTAL DISSENTING VIEWS

Serial No. R-2

MAY 13, 1986.—Ordered to be printed

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WASHINGTON : 1986

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SUMMARY OF COMMITTEE'S RECOMMENDATION

Total Budget

[In billions of dollars]

Fiscal Year 1987 Budget Totals	
Budget Authority	1,086.35
Outlays	994.25
Revenues	857.20
Deficit	137.05
Debt Subject to Limit	2,319.60

Fiscal Year 1988 Budget Totals	
Budget Authority	1,159.65
Outlays	1,047.05
Revenues	941.20
Deficit	105.85
Debt Subject to Limit	2,516.90

Fiscal Year 1989 Budget Totals	
Budget Authority	1,205.35
Outlays	1,076.15
Revenues	1,011.90
Deficit	64.25
Debt Subject to Limit	2,685.10

SUMMARY OF COMMITTEE'S RECOMMENDATION

On-Budget Only

[In billions of dollars]

Fiscal Year 1987 Budget Totals

Budget Authority	873.00
Outlays	798.20
Revenues	643.85
Deficit	154.35
Debt Subject to Limit	2,319.60

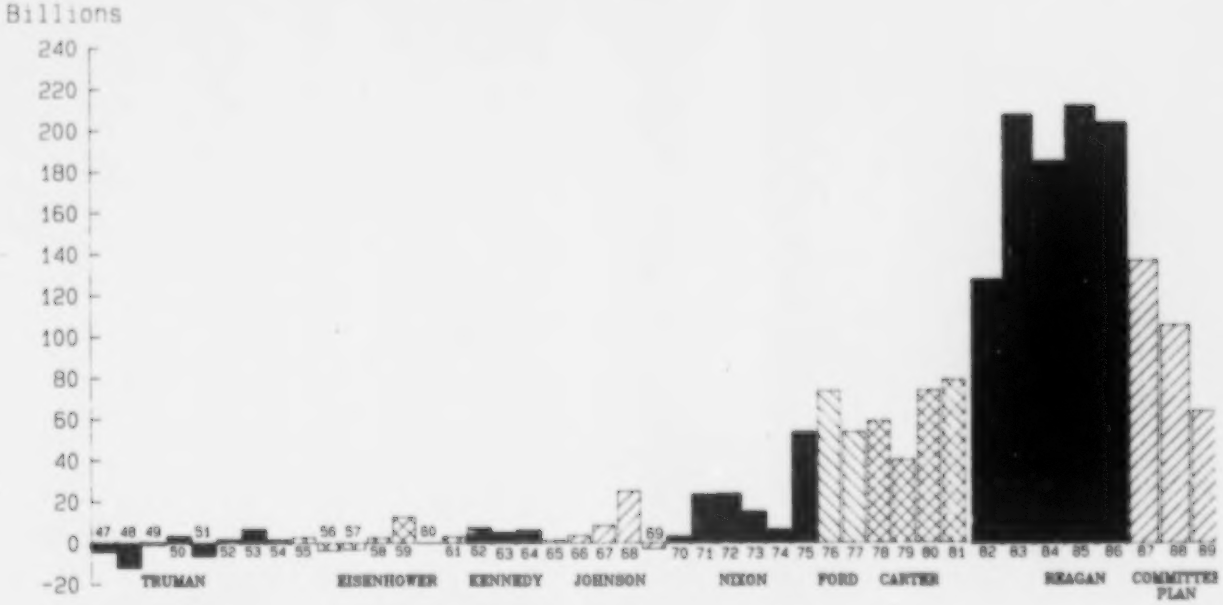
Fiscal Year 1988 Budget Totals

Budget Authority	918.95
Outlays	840.15
Revenues	700.55
Deficit	139.60
Debt Subject to Limit	2,516.90

Fiscal Year 1989 Budget Totals

Budget Authority	944.05
Outlays	857.65
Revenues	750.75
Deficit	106.90
Debt Subject to Limit	2,685.10

HISTORICAL DEFICITS
1947–1989
(In billions of dollars)



1987–1989 figures are the House Budget
Committee's Recommendation.

House Budget Committee
May 9, 1986

99TH CONGRESS } HOUSE OF REPRESENTATIVES { REPT 99-598
2d Session } { Part 1

CONCURRENT RESOLUTION ON THE BUDGET—FISCAL YEAR 1987

MAY 13, 1986.—Ordered to be printed

Mr. GRAY of Pennsylvania, from the Committee on the Budget, submitted the following

REPORT

together with

Dissenting, additional dissenting, and supplemental dissenting views

[To accompany H. Con. Res. 337; referred to the Committee on Rules pursuant to subsection 301(c) of the Congressional Budget Act of 1974, as amended (Public Law 93-344, as amended by Public Law 99-177), for a period not to exceed five legislative days, for consideration of such portions of the Concurrent Resolution as fall within that committee's jurisdiction pursuant to clause 1(q), rule X]

I. A PLAN FOR DEFICIT REDUCTION

The Committee recommendation recognizes the need to reduce the staggering deficits facing our Nation. Congress must continue to restrain spending growth in a responsible way by devoting scarce resources to our most urgent national needs.

A. Impact of Gramm-Rudman-Hollings

The Committee recommendation achieves the goals of the Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as Gramm-Rudman-Hollings).

First, Gramm-Rudman-Hollings sets maximum deficit amounts (MDA) for fiscal years 1986–1991. For the period covered by the 1987 budget resolution, the Committee recommendation is well within the Gramm-Rudman-Hollings targets.

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[In billions of dollars]

	FY 1987	FY 1988	FY 1989
Gramm-Rudman-Hollings	144.00	108.00	72.00
Committee recommendation	137.05	105.85	64.25
Committee recommendation under target	−6.95	−2.15	−7.75

Second, the Committee recommendation is consistent with the intent of Gramm-Rudman-Hollings to balance spending cuts evenly between defense and domestic programs.

BUDGET COMMITTEE RECOMMENDATIONS

[In billions of dollars]

	FY 1987	FY 1988	FY 1989	3-year total
CBO baseline (adjusted)	174.50	161.00	136.45	471.95
Defense cuts	−7.80	−14.90	−20.30	−43.00
Domestic cuts	−7.65	−13.50	−20.50	−41.65
(Non-defense discretionary)	−3.50	−7.80	−13.25	−24.55
(Entitlements)	−4.15	−5.70	−7.25	−17.10
Defense percent	50	52	50	51
Domestic percent	50	48	50	49
COLAs	−2.55	−3.50	−3.60	−9.65
User fees	−0.90	−0.95	−0.90	−2.75
Oil overcharges	−2.20	−0.25	−0.25	−1.70
Asset sales	−4.15	+0.15	+0.65	−3.35
Revenues	−6.00	−6.20	−7.20	−19.40
Additional revenues (deficit reduction only)	−4.70	−11.20	−10.50	−26.40
Subtotal, polilcy savings (including debt service savings)	37.45	55.15	72.20	164.80

B. Use of Revenues

The Committee's revenue recommendation includes an increase in the amount of revenues on the order of those recommended by the President and *additional revenues dedicated to deficit reduction.*

The Committee stresses that these additional revenues, which amount to $4.7 billion in 1987, should be dedicated exclusively to deficit reduction. The Committee has taken every means available to assure that these additional revenues not be used for increased spending, military or domestic.

First, the Committee recommendation would require that these additional revenues be deposited in a separate Treasury account, established by the President, to be used solely for deficit reduction. (These additional revenues also would be set forth separately in the budget with the stipulation that they not be made available for additional spending.)

Second, the Committee has *not* assumed additional spending which would use up these additional revenues. In other words, these additional revenues cannot be used to pay for more spending since that spending is not reflected in the plan.

C. Spending Priorities

Defense

The Committee recommendation assumes $285.0 billion in budget authority and $276.2 billion in outlays for national defense activities in 1987. While budget authority would be $1.8 billion less than last year's, the recommendation would provide $6.7 billion more in outlays than was spent in 1986. The recommendation will allow for the continuation of a strong defense posture and will accommodate past procurement commitments and defense personnel needs. This recommendation adequately provides for our defense needs. The Committee strongly encourages the Pentagon to achieve savings through better management practices, especially in the acquisition process, recoupment of unneeded overstated inflation, multiyear procurements, competition and lower than anticipated fuel prices.

Domestic

The Committee recommendation recognizes the urgent need to protect our children, senior citizens and the poor. Therefore, the recommendation gives priority to funding for education, training and health programs to aid those least able to help themselves. The recommendation provides more than $500 million above what is required to cover inflation in 1987 for an initiative designed to attack a National disgrace in this country—the povertization of children. This initiative includes additional funding for Head Start, compensatory education, maternal and child health grants and expanded Medicaid coverage for mothers and infants. (Children's Initiative shown in Section VIII H.)

The Committee believes that adequate health care should be provided for senior citizens living on fixed or limited incomes. The recommendation provides $1.0 billion over three years for Medicare to reduce the scheduled increase in the hospital deductible. The recommendation also provides $500 million over three years to implement expanded Medicaid coverage to the elderly whose incomes are below the Federal threshold. In addition, the recommendation guarantees that all retirees—Social Security recipients and Federal civilian and military employees—will receive full cost-of-living allowances in 1987.

The recommendation includes more than $2.0 billion above inflation to supplement funding for low-income and other high priority programs. (See Section VIII G.) Additional funding is also included in the resolution to supplement funding for existing high priority health, education, training and social services programs.

II. FISCAL POLICY

Deficits and the Economy

Federal budget deficits over the 1982–86 period have averaged $187 billion and 5.1 percent of GNP per year, well above the average deficit over the previous five-year period (1977–81) of $61 billion and 2.5 percent of GNP per year. These large budet deficits, unprecedented in peacetime both in absolute terms and in relation to GNP, have imposed significant costs on the economy. Excessively stimulative fiscal policy, in conjunction with an anti-inflationary monetary policy, has resulted in:

- high real interest rates,
- a sharp deterioration in the trade balance,
- severe imbalances in the domestic economy,
- unemployment in trade-sensitive industries,
- a rapid buildup in U.S. debt to foreigners,
- large and rising interest payments to service a rapidly increasing Federal debt.

The unbalanced fiscal/monetary policy mix of the past five years was bound to produce some form of "crowding out" that would impede strong and sustained economic growth. If large budget deficits had been financed solely out of domestic saving, then high interest rates would have crowded out private sector investment and reduced long-term capital formation. As it turned out, large deficits tended to raise U.S. real interest rates relative to those of our trading partners, inducing large capital inflows and an overvalued dollar. Industries exposed to international competition were then crowded out as fiscal stimulus in the U.S. drained abroad.

Over the past five years, large deficits have taken a toll on many industries. In 1985, the merchandise trade deficit reached a record $148.5 billion; it averaged $114 billion over the 1983–85 period, nearly triple the average trade deficit of $40 billion over the previous three years. The U.S. has now become a net debtor nation for the first time since 1914, attracting over $100 billion in foreign capital in 1985.

Large budget deficits have seriously distorted the current economic expansion, as service-producing industries grow while goods-producing industries suffer. Employment in services has increased 14.0 percent since 1981, while employment in goods-producing industries, which are those most exposed to international competition, has actually dropped 1.3 percent over the same period.

This structural imbalance has contributed to a prolonged period of sluggish economic growth after the initial stimulative impact of large deficits. Since the first quarter of 1984, real GNP has grown at only a 2.4 percent annual rate, compared with the post-war average of 3.4 percent After 3½ years of recovery, the unemployment rate, at 7.1 percent, remains well above the post-war average of 5.4 percent for the comparable stage of recovery.

Large budget deficits over the past five years have also caused a massive increase in Federal debt held by the public. (The debt held by the public is less than the total Federal debt because it excludes that part of the debt held by Federal trust funds.) At the end of fiscal year 1981 the debt held by the public totaled $794.1 billion. In five years it will have more than doubled, exceeding $1.7 trillion by the end of fiscal year 1986. More important, the ratio of debt to GNP, which fell steadily from the end of World War II through the early 1970s and then essentially held stable through 1981, has also increased sharply over the past five years, rising from 26.6 percent in 1981 to 41.0 percent in 1986.

Just as Federal debt has doubled over the past five years, so have interest payments to service that debt. In 1981 net interest payments were $68.7 billion and comprised 10.1 percent of the Federal budget. In 1986 net interest payments will total nearly $139 billion and consume over 14.1 percent of the budget.

Baseline Projections

The baseline budget projections and the Committee recommendation use the February 1986 economic and technical estimating assumptions of the Congressional Budget Office (CBO) with modification reflecting recent legislative action.

Deficits under this adjusted baseline fall steadily from $203.9 billion in 1986 to $174.5 billion in 1987, $161.0 billion in 1988, and $136.5 billion in 1989, as shown in Table 1. This adjusted baseline assumes continued economic expansion through 1989, with GNP growth averaging 3½ percent, inflation stable at about 4 percent, and declining interest rates and unemployment. The baseline assumes zero real growth in defense budget authority in 1987–89, as well as full and permanent implementation of the fiscal year 1986 Gramm-Rudman sequestration which went into effect March 1, 1986. In addition, the baseline includes effects of the Consolidated Omnibus Budget Reconciliation Act of 1985 which was signed by the President on April 7, 1986.

TABLE 1.—BASELINE BUDGET PROJECTIONS

[Fiscal years, in billions of dollars]

	Actual		Projected			
	1981	1985	1986	1987	1988	1989
Revenues	599.3	734.1	778.6	846.5	923.8	994.2
Outlays	678.2	946.3	982.5	1021.0	1084.8	1130.7
Total deficit	78.9	212.3	203.9	174.5	161.0	136.5
Cyclical deficit	43.5	52.4	46.3	41.6	37.0	25.8
Structural deficit	35.4	159.9	157.6	132.9	124.0	110.7
Debt held by public	794.4	1509.9	1718.5	1894.2	2051.6	2185.8
	Percent of GNP					
Revenues	20.1	18.6	18.6	18.8	19.1	19.1
Outlays	22.7	24.0	23.4	22.7	22.4	21.7

TABLE 1.—BASELINE BUDGET PROJECTIONS—Continued

[Fiscal years, in billions of dollars]

	Actual		Projected			
	1981	1985	1986	1987	1988	1989
Total deficit	2.6	5.4	4.9	3.9	3.3	2.6
Cyclical deficit	1.5	1.3	1.1	0.9	0.8	0.5
Structural deficit[1]	1.1	3.9	3.7	2.9	2.5	2.1
Debt held by public	26.6	38.4	41.0	42.1	42.4	41.9

[1] Percent of potential GNP.

Note.—Detail may not add to totals due to rounding.

Table 1 also shows the "cyclical" and "structural" components of the projected baseline deficits. The cyclical deficit reflects changes in economic activity; since tax revenues decline and outlays increase during a recession, the cyclical deficit rises in recessions and falls during recoveries. The cyclical deficit is that part of the deficit associated with an unemployment rate above 6 percent. In the baseline projection, the cyclical deficit falls from 1.1 percent of GNP in 1986 to 0.5 percent in 1989 as the economic expansion continues and unemployment declines.

The structural deficit is the deficit which would remain even if the economy were operating at a constant unemployment rate of 6 percent; it reflects a structural gap between revenues and outlays under current tax and spending policies. Changes in the structural deficit are the most commonly used measure of fiscal stimulus or restraint. In the baseline project the structural deficit declines by 1.6 percent of GNP between 1986 and 1989, reflecting deficit reduction measures enacted in 1985 and the baseline assumptions of zero real growth in defense and declining interest rates.

The Federal debt held by the public, relative to GNP, is another important measure of the crowding out that could potentially be caused by fiscal policy. Large budget deficits have produced a rapid increase in the debt/GNP ratio over the past five years, from 26.6 percent in 1981 to 41.0 percent in 1986. The debt/GNP ratio continues to rise through 1988 under the baseline projections.

Committee Recommendation

The Committee recommendation, shown in Table 2, achieves much stronger deficit reduction than the baseline projection over the next three fiscal years. The deficit is cut dramatically below the baseline levels by $37.4 billion in 1987, $55.1 billion in 1988 and $72.2 billion in 1989. It thereby falls from $204.5 billion in 1986 to $137.1 billion in 1987, $105.9 billion in 1988, and $64.3 billion in 1989. As a share of BNP, the deficit falls from 4.9 percent in 1986 to 3.0 percent in 1987. By 1989, the deficit would fall to just 1.2 percent of BNP, its smallest share of GNP since 1984.

TABLE 2.—COMMITTEE RECOMMENDATION

[Fiscal years, in billions of dollars]

	Actual		Projected			
	1981	1985	1986	1987	1988	1989
Revenues	599.3	734.1	778.6	857.2	941.2	1011.9
Outlays	678.2	946.3	983.1	994.3	1047.1	1076.2
Total deficit	78.9	212.3	204.5	137.1	105.9	64.3
Cyclical deficit	43.5	52.4	46.3	41.6	37.0	25.8
Structural deficit	35.4	159.9	158.2	95.5	68.9	38.5
Debt held by public	794.4	1509.9	1719.2	1857.5	1959.7	2021.7
	Percent of GNP					
Revenues	20.1	18.6	18.6	19.0	19.5	19.4
Outlays	22.7	24.0	23.5	3.0	2.2	1.2
Total deficit	2.6	5.4	4.9	3.0	2.2	1.2
Cyclical deficit	1.5	1.3	1.1	0.9	0.8	0.5
Structural dedicit [1]	1.1	3.9	3.7	2.1	1.4	0.7
Debt held by public	26.6	38.4	41.0	41.2	40.5	38.8

[1] Percent of potential GNP.

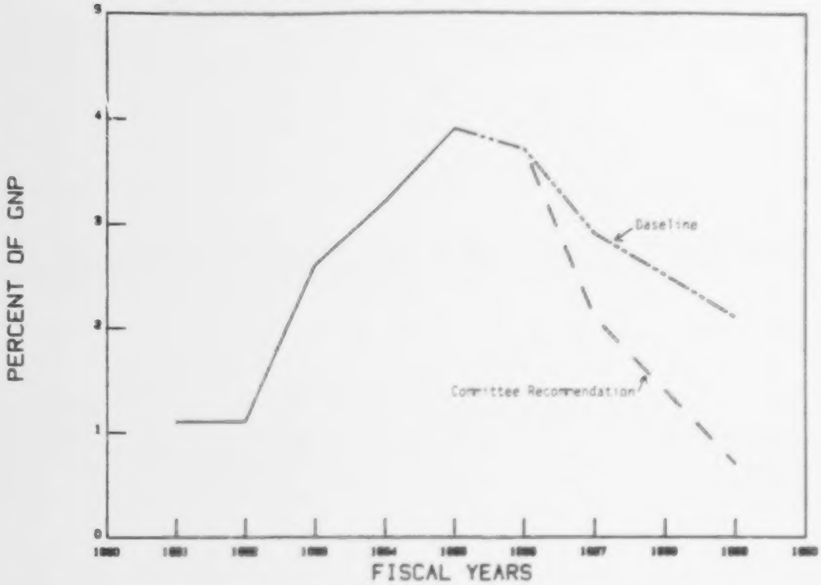
Note.—Detail may not add to totals due to rounding.

Under the Committee recommendation the fiscal restraint—measured by the decline in the structural deficit—is significantly larger than in the baseline. The structural deficit declines by 1.6 percent of GNP from 1986 to 1987, and by 3.0 percent of GNP by 1989, roughly twice the increase in fiscal restraint in the baseline. The recommendation also produces a marked downturn in the debt/GNP ratio, following the rapid rise from 1981 through 1986. The debt/GBP ratio edges up from 41.0 percent in 1986 to 41.2 percent in 1987, but then falls to 40.5 percent in 1988 and 38.8 percent in 1989.

Figure 1 shows the structural deficit as a percent of potential GNP under the baseline and the Committee recommendation, and Figure 2 shows the debt/GNP ratio for the two projections.

Figure 1

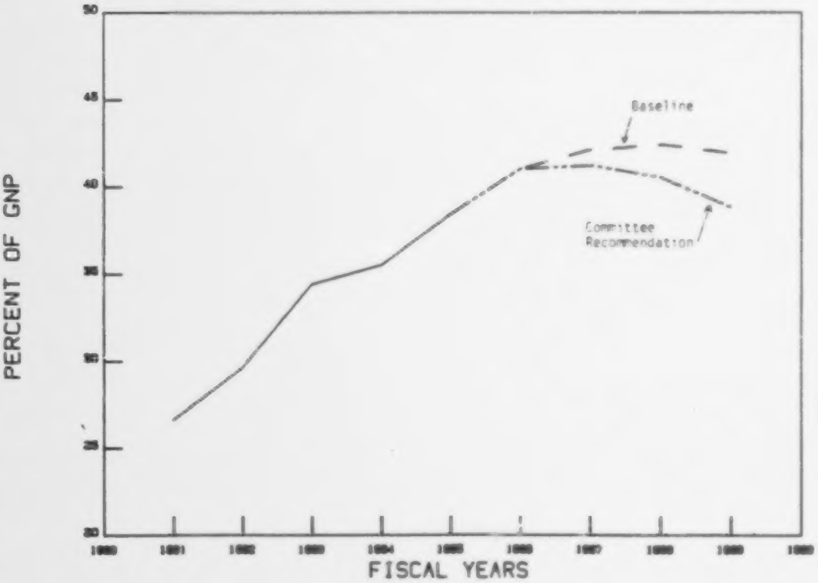
STRUCTURAL DEFICIT AS A PERCENT OF GNP*
UNDER BASELINE AND COMMITTEE RECOMMENDATION



*Percent of potential GNP

Figure 2

DEBT HELD BY PUBLIC AS A PERCENT OF GNP
UNDER BASELINE AND COMMITTEE RECOMMENDATION



Fiscal Policy, Monetary Policy, and Interest Rates

The Committee recommendation will move the Federal budget from the increasing fiscal stimulus that prevailed between 1982 and 1985 to fiscal restraint. If the growth rates incorporated in the Committee's economic assumptions are to be achieved, it will be necessary for monetary policy to be oriented toward economic growth. Deficit reduction provides "additional flexibility for the conduct of monetary policy," as Federal Reserve Chairman Volcker noted in a letter to Chairman Gray of March 29, 1985. Specifically, it reduces the need for high real interest rates and large capital inflows from abroad to finance the deficit.

Recent declines in short-term interest rates have been no greater than the decline in forecast inflation, and both short- and long-term interest rates remain high in real terms—below the 1970–85 average but still significantly higher than in the 1960s and 1980s, as shown in the following table:

TABLE 3.—NOMINAL AND REAL INTEREST RATES

	Inflation—Percent change in GNP deflator	Interest rates					
		3-month treasury bills		Prime		Long-term corporate bonds (Aaa)	
		Nominal	Real	Nominal	Real	Nominal	Real
Annual averages:							
1960–69	2.7	4.0	1.3	5.3	2.6	5.0	2.3
1970–79	7.0	6.3	−0.7	8.1	1.1	8.2	1.2
1980–85	6.0	10.3	4.3	13.6	7.6	12.7	6.7
Latest (early May):							
Short term	[1] 2.7	6.1	3.4	8.5	5.8		
Long term	[2] 4.0					9.0	5.0

[1] Consensus forecast for current year.

[2] Consensus forecast for next 5 years.

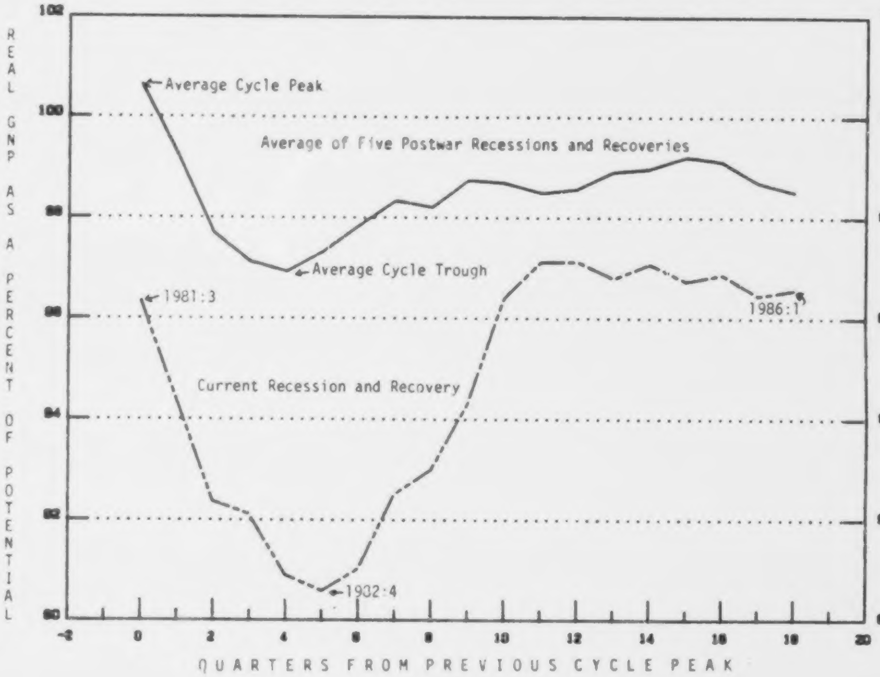
As these deficit reductions take effect, it will be necessary and possible for the Federal Reserve to reduce nominal and real interest rates further. With current low oil prices, weak farm prices and substantial slack in the economy, there will be less danger of accelerating inflation from such a policy; currently, the risk of a faltering economy far outweighs that of a new round of inflation. The Committee's fiscal policy, and its economic and budgetary projections, assume that the Federal Reserve will follow such a growth-oriented policy.

III. ECONOMIC ASSUMPTIONS AND OUTLOOK

Recent Economic Developments

Output growth and productivity growth were disappointing in 1985. Real GNP rose only 2.1 percent over the year. The unemployment rate edged down from 7.2 percent in the fourth quarter of 1984 to 7.0 percent in the fourth quarter of 1985. Factories operated only 80.7 percent of capacity in December 1985, down from 81.0 percent a year earlier. Output per hour in nonfarm business declined 0.6 percent over the year. Productivity growth from the recession low point through the first quarter of 1986 has averaged only 1.3 percent per year, the lowest of any postwar recovery.

Because of low GNP growth and persistent under-utilization of labor and capital, inflation declined further; the GNP fixed-weighted price index rose 3.5 percent during 1985, compared with 4.2 percent during 1984. While output recovered somewhat in the first quarter of 1986, in part because of large inventory accumulation, real GNP, relative to productive capacity remains below the average of previous business cycles as Figure 1 shows:


RECESSION AND RECOVERY:
CURRENT AND HISTORICAL AVERAGE
(Real GNP As a Percent of Potential GNP)

This low growth did not occur for want of stimulus from fiscal and monetary policy. The structural Federal budget deficit rose from 3.2 percent of GNP In Fiscal Year 1984 to 3.9 percent in Fiscal Year 1985. Growth in the narrowly defined money supply was 12 percent during 1985 compared with 5½ percent during 1984. Domestic demand grew at a rapid 4.4 percent rate during 1985, but a decline in exports and a reduction in inventory investment caused U.S. output to grow only half as fast as domestic demand. This weakness in output growth was in the goods-producing sector and reflected in large part the record $148.5 billion 1985 trade deficit, which has resulted to a significant extent from the Federal budget deficit's effects on real interest rates and the value of the dollar.

Since the end of 1985, inflation and interest rates have fallen markedly below the CBO January forecast. At the same time, economic growth has been weaker and unemployment higher. These developments are partly the result of the dramatic drop in the price of crude petroleum. The spot market price of one representative type of oil, West Texas Intermediate, has plunged from $24 per barrel in mid-January to between $12 and $16 in recent weeks.

Reflecting falling food and oil prices, the Producer Price Index for finished goods fell 3.4 percent from December to March. The Consumer Price Index fell 0.4 percent in both February and March. The GNP fixed-weight price index rose at an annual rate of only 2.2 percent in the first quarter and is expected to show low inflation again in the second quarter. However, although the CPI is now only 2.3 percent above a year earlier, the "core" CPI (excluding food, energy and used cars) continues to show an underlying inflation rate of 4½ to 5 percent.

The improved inflation outlook, recent weakness in the real economy, and actual and prospective Federal Reserve easing have contributed to the declines in both short- and long-term interest rates. The interest rate on three-month Treasury bills and has fallen from over 7 percent in early January to 6.07 percent at the May 5 auction, while rates on 30-year Government bonds have dropped from 9.4 in January to 7.5 percent on May 6. Partly as a result of current and prospective lower inflation and interest rates, the Standard and Poor 500-stock index is up about 13 percent from its January average.

Lower oil prices, inflation and interest rates all suggest eventually higher real GNP growth, but current indicators remain relatively weak and reflect in part the immediate effects of lower oil prices on the U.S. oil industry. Real GNP rose at a moderate 3.2 percent rate in the first quarter of 1986 after a small 0.7 percent rise in the fourth quarter of 1985. The unemployment rate in April, at 7.1 percent, was no lower than last August. Industrial production declined in February and March, reflecting a weak auto market, large foreign trade deficits, and cutbacks in oil well drilling.

International Developments

The U.S. trade continued to deteriorate in the first three months of this year. It ran 38 percent above the levels of a year ago, despite a fall in the value of petroleum imports resulting from declining oil prices. The farm and manufacturing sectors remain the most severely affected; both farm income and factory employment remain well below their 1981 pre-recession peaks.

Analysts estimate that between half and two-thirds of the trade deficit resulted from the sharp appreciation of the dollar's value by 50 percent between late 1980 and its peak in March 1985. Since that time the dollar has fallen by about 30 percent, with much of the decline occurring after the September 1985 G–5 meeting where finance officials of France, Germany, Japan, the U.K., and the U.S. agreed to intervene in currency markets to bring down the value of the dollar. However, because of the substantial time lags in the adjustment of trade flows to changes in currency values, the trade balance may not begin to improve until mid-year.

Exchange rates and global trade imbalances were key economic issues addressed by the leaders of the seven largest industrialized nations at the Tokyo Economic Summit. The agreement to coordinate economic policy reflected the recognition that a more satisfactory trade balance requires a shift in the mix of economic policies among the major economies. Reductions in the U.S. budget deficit are necessary to reduce dependence on foreign capital that has contributed to dollar volatility and our trade problems. These cuts will need to be accompanied by a monetary policy oriented to economic growth, which would reduce pressure on real interest rates. More stimulative fiscal and monetary policies abroad are necessary to raise the demand for exports from the U.S. and developing nations, promote stronger world growth and attenuate the net capital flows to the U.S. Whether the Summit agreement will produce these desirable outcomes is uncertain, however, because its provisions are entirely voluntary.

Economic Assumpitons

The recommended budget resolution is based on the CBO February economic assumptions shown in Table 1. These assumptions were also used by the Senate Budget Committee.

Real GNP is assumed to increase 4.0 percent during 1986[1] 3.0 percent during 1987, and 3.5 percent during 1988 and 1989. The inflatin rate (as measured by the GNP deflator) is assumed to rise to 3.9 percent in 1986 and 4.1 percent in 1987–1989. Interest rates in nominal and real terms decrease through the period, largely due to the assumption that the Gramm-Rudman targets for the Federal deficit are met each year.

These assumptions were prepared by CBO prior to the sharp fall in oil prices. The CBO real growth forecast may have been somewhat optimistic when it was first released, but, because of the oil price decline, this forecast now may be realized by a pickup in growth later this year and in 1987. Inflation is likely to be substantially lower than assumed in both years, and interest rates, especially on longer maturities, will be lower as well. Table 2 compares these assumptions with recent private forecasts which include lower oil prices and somewhat lower interest rates.

These recent developments will have large, but diverse, effects on Federal revenues, outlays and the budget deficit. The net effect is hard to anticipate at this time. One impact of lower inflation will be to reduce revenues, which are based on nominal incomes; these incomes are already running lower than CBO forecast. Lower inflation also reduces outlays for cost of living adjustments for retirement and other programs which are indexed to prices; however, this effect, which for Fiscal Year 1987 depends entirely on events in the next five months, has been anticipated in the Resolution's budget estimates as it has in those of the Senate. In addition, lower interest rates are likely to produce a significant reduction in interest costs.

Thus, recent changes in the economic outlook suggest a number of offsetting changes that would reduce both revenues and outlays. On balance, changes in the economic forecast based on currently available data would tend to raise slightly the Fiscal Year 1987 deficit, but would probably not of themselves cause the deficit to rise above the Gramm-Rudman allowance of $10 billion for projection error. Nevertheless, the Committee has borne these forecast risks in mind in recommending a deficit significantly below the $144 billion target.

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[1] CBO's growth rate forecast was originally published as 3.6 percent; the 4.0 percent figure reflects the downward revision of actual data for 1985 while holding constant the forecast level of real GNP in 1986.

TABLE 1.—ECONOMIC ASSUMPTIONS

[Calendar years]

	Actual 1985	Projected			
		1986	1987	1988	1989
Annual averages:					
Gross national product (billions)	$3,988.5	$4,269.3	$4,582.8	$4,929.7	$5,312.6
Percent change	5.7	7.0	7.3	7.6	7.8
Real GNP (billions 1982)	$3,570.0	$3,689.0	$3,804.8	$3,930.9	$4,068.5
Percent change	2.2	3.3	3.1	3.3	3.5
GNP deflator (percent change)	3.3	3.6	4.1	4.1	4.1
CPI–W (percent change)	3.5	3.4	4.2	4.4	4.4
Civilian unemployment rate (percent)	7.2	6.7	6.7	6.5	6.3
3-month Treasury bill rate (percent)	7.5	6.8	6.7	6.4	6.1
AAA corporate bond rate (percent)	11.4	9.8	9.7	9.0	8.3
Taxable incomes (billions):					
Wages and salaries	$1,960	$2,094	$2,250	$2,414	$2,595
Corporate profits (economic)	$295	$344	$372	$403	$434
4th quarter to 4th quarter, percent change:					
Gross national product	5.4	8.0	7.2	7.8	7.8
Real GNP	2.1	4.0	3.0	3.5	3.5
GNP deflator	3.1	3.9	4.1	4.1	4.1
CPI–W	3.3	3.4	4.5	4.4	4.3
Civilian unemployment rate (percent, 4th quarter level)	7.0	6.7	6.7	6.4	6.2

TABLE 2.— COMPARISON OF COMMITTEE ECONOMIC ASSUMPTIONS WITH PRIVATE FORECASTS FOR 1986–87

[Percent change]

	1985 actual	1986			1987		
		HBC	Blue chip	Commercial services [1]	HBC	Blue chip	Commercial services [1]
4th quarter to 4th quarter							
Gross national product:							
Current dollars	5.4	8.0	6.6	5.8	7.2	6.9	7.1
Constant (1982) dollars	2.1	4.0	3.9	3.4	3.0	3.0	3.5
GNP deflator	3.1	3.9	2.6	2.4	4.1	3.8	3.5
CPI–W	3.3	3.4	2.0	1.3	4.5	3.9	3.9
Unemployment rate (percent) [2]	7.0	6.7	6.7	6.6	6.7	6.5	6.3
Annual averages							
Gross national product:							
Current dollars	5.7	7.0	5.6	5.3	7.3	7.0	6.9
Constant (1982) dollars	2.2	3.3	2.8	2.6	3.1	3.5	3.7
GNP deflator	3.3	3.6	2.7	2.6	4.1	3.4	3.1
CPI–W	3.5	3.4	2.3	1.9	4.2	3.5	3.1
Unemployment rate (percent) [2]	7.2	6.7	6.9	6.9	6.7	6.6	6.4
3-month Treasury bill rate (percent)	7.5	6.8	6.4	6.2	6.7	6.6	6.6

[1] Average of data resources, Chase Econometrics and Wharton EFA, Inc., forecasts of late April 1986.

[2] Percent of civilian labor force.

Comparison with Private Forecasts

A comparison of the Committee assumptions with the forecasts of two groups of private economists—three commercial services and the Blue Chip consensus—is shown on Table 2. The Committee assumptions for real growth in 1986 and 1987 are in line with these private forecasts, despite the significant difference in oil prices. In fact, the Committee assumptions for 1986 are rather optimistic compared with the real GNP forecasts of the services. Otherwise the major differences between the forecasts are in the inflation rate and interest rates in 1986, both of which are lower due to the sharp drop in oil prices.

Many forecasts for 1986 have been revised down during April and early May, reflecting the weaker than expected first quarter growth and the continued sluggish pattern which has been reported in employment, hours worked, new orders, and production for April. Many analysts expect growth to increase significantly during the second half of the year, and some forecast sustained strength in 1987. This pattern produces a level of real GNP by the end of 1987 which is nearly identical to that in the Committee assumptions.

When it became evident that the decline in oil prices would be substantial and not quickly reversed, there was great hope that it would provide enough stimulus to the economy to significantly raise the growth rate in 1986 and 1987. The sharp fall in short and long term interest rates during the winter reinforced such hopes. However, recent forecasts show virtually the same overall growth as the earlier Committee assumptions which incorporated higher oil prices and interest rates.

There are two major reasons for this. First, the economy as a whole is much less energy-intensive than it was during the late 1970's, so that a change in the relative price of oil has a smaller impact on the entire economy. Second, the economy was weaker than the CBO forecast for the early part of the year prior to the favorable developments. In addition, there are serious transition problems for energy-producing companies and areas which are now causing higher unemployment and cutbacks in exploration and investment spending.

The largest effects of falling oil prices can be seen in recent inflation forecasts, in which general price increases during 1986 are about 1.5 percent lower than those forecast by CBO in January. The inflation rate in the Committee assumptions is 3.9 percent during 1986 and 4.1 percent during 1987 for the GNP deflator, and 3.4 percent and 4.5 percent for the Consumer Price Index; the private forecasts show only 2.4–2.6 percent for the deflator during 1986 and 1.3–2.0 percent for the CPI. A return to an inflation rate near 4 percent is expected in many forecasts in 1987 once the dramatic impacts of the oil price shock have been fully reflected in other prices. As noted above, a measure of inflation which removes the effects of energy and food prices is still increasing at a 4½ to 5 percent annualized rate.

The CBO forecast of interest rates for 1986 and 1987 assumed that the deficit targets set out in Gramm-Rudman were met and that the Federal Reserve would not tighten monetary policy. Interest rates, particularly long-term rates, have fallen substantially since January but many analysts believe that the decline has ended and expect a sustained period of stable rates followed by increases in 1987 to levels near the Committee's assumptions.

Economic Policy and Forecast Risks

This forecast assumes that both fiscal and monetary policies will promote a stable economic environment conductive to achieving contiuning growth with only moderate inflation. (The projected increase in inflation in 1987 in all forecasts reflects the end of the 1986 drop in oil prices.) Fiscal policy is assumed to meet the deficit targets in the Balanced Budget and Emergency Deficit Control Act of 1985 for 1987 through 1989; it is therefore somewhat more restrictive than current fiscal policy. This has the desirable effect of fulfilling market expectations about deficit reduction and low inflation, which should keep interest rates at lower levels.

The forecast assumes a monetary policy consistent with the projected growth in nominal and real GNP and interest rates which are close to current levels through 1989. So far in 1986 the Federal Reserve has eased policy sooner and more rapidly than assumed, mainly in response to sluggish real growth and lower inflation due to falling oil prices. However, the moderate increase in inflation in the Committee assumptions and private forecasts for 1987 raises the possibility that the Federal Reserve may pursue a policy which aims to prevent any reacceleration of inflation from the low level of 1986. This would produce a sharper rise in interest rates in 1987, and could slow growth as housing and business investment contracted.

An additional risk is that a precipitous drop in the foreign exchange value of the dollar could result from a reduction in the demand for dollar-denominated assets. While the decline of the dollar from the unsustainably high level early in 1985 has been significant, it has also been relatively well-controlled. A sharper fall in the exchange rate could cause disruption of the capital flows which have been supplementing domestic saving to finance domestic investment and the Federal deficit, and could result in higher interest rates, greater inflationary pressures, and slower domestic economic activity. Higher interest rates would be especially likely if the Federal Reserve tightened credit to offset the drop in the exchange rate and the resulting temporary increase in the inflation rate which would be expected after several quarters.

Considering the favorable developments in 1986, it appears that the economic growth assumed by the Committee for 1986 through 1989 is possible if fiscal policy is gradually but progressively restrained, and if monetary policy takes account of this fiscal restraint in accommodating sustainable growth.

IV. SUMMARY OF THE RECOMMENDATIONS

A. Revenues

House Budget Committee Recommendation

The President's budget included a variety of revenue recommendations that the administration estimated would raise $6.3 billion in fiscal year 1986, $5.9 billion in 1987, and $6.9 billion in 1988. These recommendations included added Superfund taxes and a projection of higher revenues from improved tax enforcement.

The Committee's revenue recommendation includes the amounts of increase recommended by the President, with modification, and additional revenues dedicated to reducing the deficits below the Gramm-Rudman (P.L. 99-177) maximum deficit amounts.

President's Revenue Enhancement, as Modified

Like the President's budget, the Committee recommends increased resources for the Internal Revenue Service in order to increase tax collections. This increase is included in spending function 800. Like the President's budget, the Committee recommends additional revenues to support an expanded Superfund environmental clean-up program. These increases do reflect House and Senate support for a larger Superfund than recommended by the President. The Committee also calls for an amount of 1987 revenues, which when combined with spending reductions within the jurisdiction of the Committee on Ways and Means, match the President's recommended 1987 deficit reduction from within that Committee's jurisdiction.

Additional Revenue for Further Deficit Reduction

The Committee's additional revenue increases are dedicated to further deficit reduction to bring deficits below the Gramm-Rudman maximum deficit amounts.

TABLE 1.—HOUSE BUDGET COMMITTEE REVENUE RECOMMENDATION

[Fiscal years, in billions of dollars]

	1987	1988	1989
(a) Baseline revenues [1]	846.5	923.8	994.2
(b) President's revenue enhancement, as modified	+6.0	+6.2	+7.2
Revenue effects of H.R. 3660, the Civil Service Supplemental Retirement System Act	(—)	(−0.1)	(−0.1)
Additional revenue from President's requested increase in spending for IRS personnel and automation	(+1.8)	(+2.9)	(+4.1)
Additional Superfund revenue to finance assumed spending	(+0.7)	(+0.8)	(+0.8)
Revenues which when added to spending reductions match the President's 1987 deficit reduction within the jurisdiction of the Committee on Ways and Means	(+3.5)	(+2.6)	(+2.4)

TABLE 1.—HOUSE BUDGET COMMITTEE REVENUE RECOMMENDATION—Continued

[Fiscal years, in billions of dollars]

	1987	1988	1989
(c) Additional revenues for further deficit reduction	+4.7	+11.2	+10.5
(d) Recommended revenues [1]	857.2	941.2	1011.9

[1] Includes both on-and off-budget revenues.

The recommended revenue increase of $45.8 billion over three years is a modest 1.7 percent in comparison to baseline revenues of $2,764.5 billion over three years.

The total increases in revenue comprise only 28 percent of the deficit reduction achieved by all of the Committee's recommendations.

In 1989, the Committee's revenue recommendation would raise on-budget (i.e. non-social security) revenues from 14.1 percent of Gross National Product to no more than 14.4 percent, still far below the 15.7 percent level that prevailed in 1981. This percentage is also below the 15.1 percent average of the 1960s and 1970s. (The shortfall from the 1960–1979 average is equivalent to $32 billion in 1987 dollars.)

Reconciliation Instructions

Not subject to, nor counting toward, reconciliation is revenue for the Superfund program, revenue that results from spending decisions not within the jurisdiction of the tax-writing committees such as an additional Internal Revenue Service appropriation, and revenue that is dedicated to additional deficit reduction. Superfund revenue is excluded because Superfund legislation has already been reported by each tax-writing Committee, and legislation is pending in Conference. Reconciliation instructions to the committee on Ways and Means call for deficit reduction (revenue increases or spending reductions or both) of $4.2 billion in fiscal year 1987, $3.7 billion in fiscal year 1988, and $3.7 billion in fiscal year 1989.

Revenues under Current Policy Baseline

TABLE 2.—REVENUES BY SOURCE UNDER PAST AND CURRENT LAW

[Fiscal years, in billions of dollars]

	Historical				Estimated	
	1950	1960	1980	1980	1986	1989
Individual income tax	15.8	40.7	90.4	244.1	354.3	460.9
Corporate income tax	10.4	21.5	32.8	64.6	72.0	107.9
Social insurance tax and contributions	4.3	14.7	44.4	157.8	280.8	355.5
Excises	7.6	11.7	15.7	24.3	34,3	31.1
Estate and gift taxes	0.7	1.6	3.6	6.4	6.1	5.1
Customs duties	0.4	1.1	2.4	7.2	12.3	15.9
Miscellaneous receipts	0.2	1.2	3.4	12.7	18.7	[illegible]
Total [1]	39.4	92.5	192.8	517.1	778.8	994.2
On-budget revenues	37.3	81.9	159.3	403.9	580.3	733.0
Off-budget revenues [2]	2.1	10.6	33.5	113.2	198.3	261.2

[1] Detail may not add to totals due to rounding.

[2] Social security (OASDI) revenues.

The payroll taxes for social insurance (social security, medicare, and unemployment compensation) have risen to over one-third of total revenues and are now almost four times as large as corporate income tax revenues. This change, rooted in expansion of the social security system and diminished domestic corporate profits as a percent of GNP, was magnified by the 1981 tax act, which sharply reduced corporate taxes, and social security legislation in 1977 and 1983. Table 3 shows the change in composition of revenues under past and current policy prior to implementation of the Committee recommendation.

TABLE 3.—COMPOSITION OF REVENUES UNDER PAST AND CURRENT LAW

[Fiscal years, percent]

	Historical				Estimated	
	1950	1960	1970	1980	1986	1989
Individual income tax	39.9	44.0	46.9	47.2	45.5	46.3
Corporate income tax	26.5	23.2	17.0	12.5	9.2	10.9
Social insurance tax and contributions	11.1	15.9	23.0	30.5	36.1	35.8
Excises	19.1	12.6	8.1	4.7	4.4	3.1
Estate and gift taxes	1.8	1.7	1.9	1.2	0.8	0.5
Custom duties	1.0	1.2	1.3	1.4	1.6	1.6
Miscellaneous receipts	.6	1.3	1.8	2.5	2.4	1.8
Total [1]	100.0	100.0	100.0	100.0	100.0	100.0

[1] Detail may not add to totals due to rounding.

Table 4 shows each of these taxes as a percent of GNP. On-budget revenues which exclude revenues for social security (OASDI) have fallen from 15.9 percent of GNP in 1980 to 13.8 percent in 1986.

TABLE 4.—REVENUE SOURCES AS A PERCENT OF GNP UNDER PAST AND CURRENT LAW

	Historical				Estimated	
	1950	1960	1970	1980	1986	1989
Individual income tax	5.9	8.0	9.1	9.1	8.5	8.8
Corporate income tax	3.9	4.2	3.3	2.4	1.7	2.1
Social insurance tax and contributions	1.6	2.9	4.5	5.9	6.7	6.8
Excises	2.8	2.3	1.6	0.9	0.3	0.6
Estate and gift taxes	0.3	0.3	0.4	0.2	0.1	0.1
Custom duties	0.1	0.2	0.2	0.3	0.3	0.3
Miscellaneous receipts	0.1	0.2	0.3	0.5	0.5	0.3
Total [1]	14.8	18.2	19.5	19.4	18.6	19.1
On/budget revenues	14.0	16.1	16.1	15.1	13.8	14.1
Off-budget revenues [2]	0.8	2.1	3.4	4.2	4.8	5.0

[1] Detail may not add to totals due to rounding.
[2] Social Security (OASDI) revenues are off-budget.

TABLE 5.—*Total revenues*

[In billions of dollars]

Fiscal year:	
1981 actual	599.3
1982 actual	617.3
1983 actual	600.6
1984 actual	666.5
1985 actual	734.0
1986 Budget Resolution August 1, 1985	795.7
1986 actual, estimated	778.6
Fiscal year 1987: [1]	
Administration's Request (February 5, 1986)	850.4
Recommendation	857.2
Fiscal year 1988: [1]	
Administration's Request (February 5, 1986)	933.2
Recommendation	941.2
Fiscal year 1989: [1]	
Administration's Request (February 5, 1986)	996.1
Recommendation	1011.9

[1] Administration and Committee recommendations are based on different economic assumptions.

B. Spending By Function

FUNCTION 050: NATIONAL DEFENSE

The Committee recommends $285.00 billion in budget authority and $276.20 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $15.85 billion in budget authority and $7.80 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	300.85	284.00	314.65	296.30	329.40	310.80
Recommended changes:						
1. Assume a 3-percent military and civilian pay raise in January of each fiscal year	−1.05	−1.05	−3.85	−3.80	−7.15	−7.10
2. Other program reductions	−14.80	−6.75	−15.30	−11.10	−15.75	−13.20
Total changes from baseline	(−15.85)	(−7.80)	(−19.15)	(−14.90)	(−22.90)	(−20.30)
Committee recommendation	285.00	276.20	295.50	281.40	306.50	290.50

EXPLANATION OF COMMITTEE RECOMMENDATION

1. MILITARY AND CIVILIAN PAY RAISE

The Committee recommendation assumes a three percent pay raise for Federal Government civilian and military personnel, effective in January of each year.

2. OTHER PROGRAM REDUCTIONS

The Committee recommendation assumes reductions to various accounts sufficient to provide the required budget authority and outlay savings. The assumption provides for a reduction from the fiscal year 1986 current level of $1.8 billion in budget authority but an *increase* of $6.7 billion in outlays.

The Committee recommendation includes no specific assumptions on where reductions would be made; this will be determined by the Armed Services and Appropriations Committees. While actual cancellations and/or reductions to some systems may be required, these should be minor and it is assumed that the Armed Services and Appropriations Committees will look to cancelling or slowing procurement of systems which have experienced cost, production or performance problems.

It is further assumed that much of the budget authority reduction below the fiscal year 1986 current level can be accomplished through freezing personnel levels, better Pentagon management—especially in the acquisition process—recoupment of unneeded inflation funding, retirement reform, base closings or consolidations, fuel price reductions, reductions in non-readiness related operations areas such as administration, overhead, base operations and utilities, and in particular from recouping unneeded funds from prior year's unobligated authority.

The Committee believes that increased use of multiyear procurement contracts can be a viable method for reducing the cost to the Department of Defense for procurement of major weapon systems. The Committee further believes that such programs should be considered when they are within budget constraints and provide cost savings for the government. The Committee encourages the House Armed Services and Appropriations Committees to expand the use of multi-year contracts where feasible.

The Committee supports the ongoing improvements to National Guard and Reserve programs and encourages the Armed Services and Appropriations Committees to continue such improvements to the greatest extent feasible.

Of the $285 billion in budget authority assumed for fiscal year 1987, $3 billion will not be allocated to the Appropriations Committee until a report is submitted from the Secretary of Defense to the Speaker of the House and the President pro tempore of the Senate making an accounting of all monies appropriated to the Department of Defense in fiscal year 1986 in excess of the amount needed to cover inflation, and the General Accounting Office reviews each report.

In addition the House and Senate Armed Services Committees are strongly encouraged to enact legislation prohibiting the Department of Defense from using any special weapons inflation indices which provide funding for defense inflation in excess of the GNP deflator.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 150: INTERNATIONAL AFFAIRS

The Committee recommends $17,00 billion in budget authority and $13.80 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $3.20 billion in budget authority and $1.50 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	0	BA	0	BA	0
Baseline	20.20	15.30	20.80	15.80	24.35	15.85
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−1.10	−0.25	−1.55	−0.70	−6.15	−1.40
2. State Department security	+1.10	+0.35	+1.25	+0.55	+0.90	+0.90
3. Offsetting reductions	−0.65	−0.35	−0.65	−0.45	−0.65	−0.50
4. Foreign aid spending	−2.10	−1.00	−2.10	−1.35	−2.10	−1.65
5. Additional 2½ percent cut	−0.45	−0.25	−0.45	−0.30	−0.45	−0.35
Total changes from baseline	(−3.20)	(−1.50)	(−3.50)	(−2.25)	(−8.45)	(−3.00)
Committee recommendation	17.00	13.80	17.30	13.55	15.90	12.85

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. STATE DEPARTMENT SECURITY

The Committee recommendation assumes full funding for the President's enhanced embassy security proposal.

3. OFFSETTING REDUCTIONS

The Committee recommendation assumes that reductions will be made within this function to offset the fiscal year 1987 outlay cost of the proposal for enhanced embassy security.

4. FOREIGN AID SPENDING

The Committee recommendation assumes that fiscal year 1987 foreign assistance outlays will be held to $12.30 billion; approximately 90 percent of current spending levels.

4. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	8.80	12.25	9.00	12.75	9.30	13.25
Recommended changes:						
1. Savings from 3–year freeze at 1986 levels	−1.30	−0.50	−0.55	−1.00	−0.90	−1.50
2. Foreign aid spending	−1.20	−0.05	−1.20	−0.05	−1.20	−0.05
3. Additional 2½ percent cut	−0.15	−0.30	−0.15	−0.30	−0.10	−0.30
Total changes from baseline	(−1.65)	(−0.85)	(−1.90)	(−1.35)	(−2.20)	(−1.85)
Committee credit recommendation	7.15	11.40	7.10	11.40	7.10	11.40

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendation reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

The Committee recommends $8.80 billion in budget authority and $8.75 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $0.50 billion in budget authority and $0.30 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	9.30	9.05	9.70	9.45	10.20	9.85
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.40	−0.25	−0.85	−0.65	−1.30	−1.10
2. NASA program reductions	−0.10	−0.05	−0.10	−0.10	−0.10	−0.10
3. Increase for NSF research programs	+0.15	+0.10	+0.15	+0.15	+0.15	+0.15
4. Increase for DOE general science and NASA basic research programs	+0.15	([1])	+0.05	+0.05	+0.05	+0.05
5. Additional 2½ percent cut	−0.20	−0.10	−0.20	−0.15	−0.20	−0.20
Total changes from baseline	(−0.50)	(−0.30)	(−0.95)	(−1.40)	(−1.40)	(−1.20)
Committee recommendation	8.80	8.75	8.75	8.75	8.80	8.65

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1980 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. NASA Program Reductions

The Committee recommendation assumes that these savings would be achieved principally by reductions (and/or future fee increases) in NASA shuttle operations activities, and could include reductions and/or terminations in other NASA activities, such as the Advanced Communications Technology Satellite (ACTS) program.

The Committee recommendation assumes that savings in NASA shuttle operating costs can be achieved, given the fact that the shuttle fleet will not fly for at least one year, and that perhaps 30 fewer flights than planned will be made over the next three years. The recommendation, without prejudice, assumes no specific funds to acquire a replacement shuttle orbiter, pending the results of the Challenger investigation, and the transmission of a Presidential budget request. However, the Committee feels that additional funds, of approximately $1 billion a year over the next three years, for these purposes would be appropriate if an authorization for such funding is enacted into law.

3. Increase for NSF Research Programs

The Committee recommendation assumes a $0.15 billion budget authority increase in National Science Foundation (NSF) research programs, in view of their importance in preserving the Nation's basic research infrastructure.

4. INCREASE FOR DOE GENERAL SCIENCE AND NASA BASIC RESEARCH PROGRAMS

The Committee recommendation assumes a $0.05 billion budget authority increase for DOE general science and NASA basic research programs in view of the importance of supporting basic research activities.

5. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 270: ENERGY

The Committee recommends $4.90 billion in budget authority and $4.85 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $1.25 billion in budget authority and $0.45 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	6.15	5.30	5.60	5.25	5.90	5.10
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−1.10	−0.20	−0.85	−0.80	−1.05	−1.10
2. Federal Energy Regulatory Commission (FERC) user fees	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05
3. Uranium Enrichment Program reductions		−0.10		−0.20		−0.20
4. Full cost recovery Nuclear Regulatory Commission (NRC) user fees	−0.30	−0.30	−0.30	−0.30	−0.25	−0.25
5. Sale of gaseous centrifuge enrichment plant and facilities	−0.05	−0.05				
6. Strategic petroleum reserve (SPRO)	+0.30	+0.30	+0.30	+0.30	+0.30	+0.30
7. Increase for basic energy research	+0.05	+[1]	+0.05	+0.05	+0.05	+0.05
8. Additional 2½ percent cut	−0.10	−0.05	−0.10	−0.10	−0.10	−0.10
9. Other assumptions						
Total changes from baseline	(−1.25)	(−0.45)	(−0.95)	(−1.10)	(−1.10)	(−1.35)
Committee recommendation	4.90	4.85	4.65	4.15	4.80	3.75

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal eyar 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. FEDERAL ENERGY REGULATORY COMMISSION (FERC) USER FEES

The Committee recommendation assumes legislation will be enacted to provide the FERC with authority to assess fees which would recover all of the direct and indirect costs of its regulatory activities.

3. URANIUM ENRICHMENT PROGRAM

The Committee recommendation assumes that reductions will be made in the operating costs and capital investments in these programs.

4. FULL COST RECOVERY NUCLEAR REGULATORY COMMISSION (NRC) USER FEES

The Committee recommendation assumes legislation will be enacted to provide the NRC with authority to assess higher fees which would recover all of the direct and indirect costs of its activities.

5. SALE OF GASEOUS CENTRIFUGE ENRICHMENT PLANT AND FACILITIES

The Committee recommendation assumes legislation will be enacted making it possible for the U.S. Department of Energy to sell to the public the Gaseous Centrifuge Enrichment Plant and facilities it own. The DOE stopped further construction of this project in 1985, and intends never to complete it. The Federal Government should endeavor to realize the greatest value from this sale, and obtain more than the amounts assumed, if possible.

6. STRATEGIC PETROLEUM RESERVE (SPRO)

The Committee recommendation assumes $0.3 billion in additional funds to continue filling the SPRO to its present eventual target of 750 million barrels in storage, in view of its national security importance and the fact that present oil prices make it a good time to acquire more oil. Also, there is considerable concern that present world oil market conditions pose a threat to much of the continued production of oil from stripper wells. Stripper wells produce about 1.3 million barrels a day, and thus constitute an important part of total U.S. production. Accordingly, the recommendation also assumes that Congress will enact a program that will structure oil purchases for the SPRO in a way designed to help domestic stripper oil well producers so as to minimize the shutting-in of stripper production.

7. INCREASE FOR BASIC ENERGY RESERCH

The Committee recommendation assumes a $0.05 billion budget authority increase for basic energy research programs in view of the importance of supporting basic research activities. Also, the Committee supports the President's request for the Department of Energy's Basic Energy Sciences program and believes the Department should move forward with the facilities necessary to support this program.

8. Additional 2½ Percent Cut

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fisal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

9. Other Assumptions

The Committee believes that the funding assumed in this function should be sufficient to support a strong national R&D program in a variety of energy resources including solar, magnetohydrodynamics (MHD), and methanol, among others.

The Committee also believes that if any Naval Petroleum Reserves were to be sold, any such sale should provide that their reserve status—imposed by Presidential Proclamation and Chapter 641 of Title 10, United States Code—should be terminated if still in effect, and that the preexisting school land entitlements of the States affected, which were suspended by such reserve status, should be recognized.

The Committee does not assume the privatization of the Federal Power Marketing Administrations, including the Bonneville, Western Area, Southeastern, and Southwestern Power Administrations, as well as the Tennessee Valley Authority, and further assumes that no funds will be provided to solicit proposals, or carry out other activities to implement privatization.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billion of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	2.10		2.15		2.25	
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.10		−0.15		−0.25	
2. Additional 2½ percent cut	−0.05		−0.05		−0.05	
Total, changes from baseline	(−0.15)	(.....)	(−0.20)	(.....)	(−0.30)	(.....)
Committee credit recommendation	1.95		1.95		1.95	

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

The Committee recommends $11.95 billion in budget authority and $12.25 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $1.00 billion in budget authority and $0.80 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billion of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	12.95	13.05	13.30	13.10	13.70	13.50
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.70	−0.45	−1.25	−0.80	−1.85	−1.30
2. Superfund	+0.35	+0.05	+0.65	+0.35	+0.65	+0.60
3. Bureau of Reclamation	−0.15	−0.10	−0.15	−0.15	−0.15	−0.15
4. Forest Service	−0.10	−0.05	−0.10	−0.05	−0.10	−0.10
5. Mineral leasing	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05
6. Sportfishing license fee	(1)	(1)	−0.05	−0.05	−0.05	−0.05
7. Grazing fees	(1)	(1)	(1)	(1)	(1)	(1)
8. Additional 2½ percent cut	−0.35	−0.20	−0.35	−0.20	--0.35	−0.25
Total, changes from baseline	(−1.00)	(−0.80)	(−1.30)	(−0.95)	(−1.90)	(−1.30)
Committee recommendation	11.95	12.25	12.00	12.15	11.80	12.20

(1) Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. Superfund

The Committee recommendation assumes reauthorization of the superfund program which provides for the cleanup of hazardous waste dump sites. The recommendation also assumes the program will be funded at $1.2 billion in 1987, $1.5 billion in 1988, and $1.5 billion in 1989. The recommendation further assumes that outlays associated with these funding levels will be matched by increases in superfund revenues.

3. Bureau of Reclamation

The Committee recommendation assumes that funding for the Bureau of Reclamation will be $0.60 billion, which is twenty percent below the 1986 level of $0.75 billion in budget authority.

4. Forest Service

The Committee recommendation assumes that no funding will be provided for construction of roads and bridges by the Forest Service. The 1986 level for this activity is $81 million. The recommendation also assumes that funding will continue for Forest Service support and supervision of road construction performed by timber purchasers.

5. Mineral Leasing

The Committee recommendation assumes that the current $1-2 per year rental fee on onshore leases will be doubled. The recommendation also assumes that the current noncompetition oil/gas lease filing fee of $75 will increased to $150. Together these recommendations result in savings of $45 million in each year 1987-89.

6. Sportfishing License Fee

The Committee recommendation assumes enactment of the administration's proposal to initiate a minimum license fee of $10 on sportfishing in coastal waters. Such a fee would result in receipts of $20 million in 1987, $30 million in 1988, and $50 million in 1989.

7. Grazing Fees

The Committee recommendation assumes an increase in the fees charged for grazing on public laws from the current $1.35 per animal per month to $2.70. The recommendation results in increased receipts of $6 million in 1987, and $10 million in each year 1988 and 1989.

8. Additional 2½ Percent Cut

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	0.10	....	0.10	....	0.10	....
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	(1)	....	(1)	....	(1)	....
2. Additional 2½ percent cut	(1)	....	(1)	....	(1)	....
Total, changes from baseline	(1)	(......)	(1)	(......)	(−0.05)	(......)
Committee credit recommendation	0.10	....	0.10	....	0.05	....

[1] Less than $25 million.

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 350: AGRICULTURE

The Committee recommends $23.80 billion in budget authority and $23.55 billion in outlays for this function for fiscal year 1987. These totals are the same as the baseline amounts for this function.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	23.80	23.55	26.10	24.85	25.45	21.70
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.05	−0.05	−0.15	−0.10	−0.20	−0.20
2. Agricultural credit initiative	+0.15	+0.15	+0.15	+0.15	+0.15	+0.15
3. User fees	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05
4. Honey Price Support Program	−0.10	−0.10	−0.05	−0.05	−0.05	−0.05
5. Agriculture programs	+0.10	+0.10	+0.05	+0.05	+0.05	+0.05
6. Additional 2½ percent cut	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05
Total changes from baseline	(......)	(......)	(−0.10)	(−0.05)	(−0.15)	(−0.15)
Committee recommendation	23.80	23.55	26.00	24.80	25.30	21.55

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. Agricultural Credit Initiative

The Committee recommendation assumes funding of $150 million per year for an initiative to provide additional credit assistance to distressed farmers.

3. User Fees

The Committee recommendation assumes enactment of new or increased user fees for USDA grain inspections, market news services, and veterinary services, as proposed in the administration's

1987 budget. The proposed fees would increase receipts by an estimated $54 million in 1987.

4. HONEY PRICE SUPPORT PROGRAM

The Committee recommendation assumes termination of the honey price support program and the sale of 95 million pounds of honey from the Commodity Credit Corporation inventory. The recommendation would reduce spending by an estimated $111 million in 1987.

5. AGRICULTURE PROGRAMS

The Committee recommendation assumes an increase of $111 million in 1987 for agriculture programs. The recommendation assumes that specific program funding increases will be determined by the committees of jurisdiction.

6. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	14.30	8.00	12.10	8.50	11.35	8.65
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels						
2. Additional 2½ percent cut						
Total, Changes from Baseline	(......)	(......)	(......)	(......)	(......)	(......)
Committee credit recommendation	14.30	8.00	12.10	8.50	11.35	8.65

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

The Committee recommends $9.80 billion in budget authority and $2.20 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $0.15 billion in budget authority and a decrease of $1.55 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	9.65	3.75	10.05	5.65	8.65	2.40
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.30	−0.20	−0.50	−0.40	−1.05	−0.85
2. Rural housing loan asset sales	+0.65	−1.15		(¹)	+0.15	−0.05
3. Postal Service	−0.10	−0.10	−0.10	−0.10	−0.10	−0.10
4. Additional 2½ percent cut	−0.10	−0.10	−0.10	−0.05	−0.10	−0.10
Total changes from baseline	(+0.15)	(−1.55)	(−0.70)	(−0.55)	(−1.10)	(−1.10)
Committee recommendation	9.80	2.20	9.35	5.10	7.55	1.30

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendations assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. RURAL HOUSING LOAN ASSET SALES

The Committee recommendation assumes the sale of a portion of the Rural Housing Insurance Fund (RHIF) existing loan portfolio to the public to achieve receipts of $1.15 billion in 1987.

3. POSTAL SERVICE

The Committee recommendation assumes a $100 million reduction in the funding for the Postal Service for a 1987 funding level of $616 million.

4. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	4.65	41.30	4.95	43.35	5.35	44.40
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.15	−1.55	−0.30	−3.25	−0.45	−4.95
2. Additional 2½ percent cut	−0.05	−1.00	−0.05	−1.00	−0.05	−1.00
Total, changes from baseline	(−0.20)	(−2.55)	(−0.35)	(−4.25)	(−0.50)	(−5.95)
Committee credit recommendation	4.45	38.75	4.60	39.10	4.85	38.45

The table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 400: TRANSPORTATION

The Committee recommends $24.60 billion in budget authority and $25.50 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $4.50 billion in budget authority and $2.50 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	29.10	28.00	29.75	28.10	30.55	28.95
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−1.10	−0.30	−2.00	−0.90	−2.90	−1.65
2. Highways	−0.75	−0.10	−0.75	−0.45	−0.75	−0.50
3. Mass transit:						
Section 3 grants	−0.10	(1)	−0.10	−0.05	−0.10	−0.05
Operating assistance	−0.10	−0.05	−0.10	−0.10	−0.10	−0.10
4. Amtrak	+0.05	+0.05	+0.05	+0.05	+0.05	+0.05
5. Sale of Conrail	−1.80	−1.80	+0.25	+0.25	+0.25	+0.25
6. Federal Aviation Administration operations	+0.20	+0.20	+0.20	+0.20	+0.20	+0.20
7. NASA commercial R&D	−0.15	−0.10	−0.15	−0.15	−0.15	−0.15
8. Coast Guard user fees	−0.15	−0.15	−0.15	−0.15	−0.15	−0.15
9. Coast Guard retired pay	(1)	(1)	(1)	(1)	(1)	(1)
10. Additional 2½ percent cut	−0.60	−0.25	−0.65	−0.35	−0.60	−0.50
Total changes from baseline	(−4.50)	(−2.50)	(−3.40)	(−1.65)	(−4.25)	(−2.60)
Committee recommendation	24.60	25.50	26.35	26.45	26.30	26.35

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. Highways

The Committee recommendation assumes a five percent reduction in highway budget authority and the obligation ceiling. This would provide a funding level in each year of $13.90 billion in budget authority and an obligation ceiling of $12.45 billion. The recommendation would provide outlay savings of $112 million in 1987, $453 million in 1988 and $486 million in 1989.

3. MASS TRANSIT

The Committee recommendation assumes a ten percent reduction for mass transit Section 3 grants. This would provide a funding level of $0.95 billion in budget authority in each year. The Committee recommendation also assumes a ten percent reduction in mass transit operating assistance. This would provide a funding level of $0.80 billion in budget authority each year.

The Committee recommendation assumes the fiscal year 1986 funding level in each year for formula capital grants, interstate transfer grants, Washington METRO, administration and research and training. These amounts contain sufficient funding to fulfill the Federal commitment to the Washington Metropolitan Area Transit Authority rail program.

4. AMTRAK

The Committee recommendation assumes a funding level of $591 million in budget authority for Amtrak each year. This amount is $29 million above the 1986 funding level.

5. SALE OF CONRAIL

The Committee recommendation assumes the sale of Conrail in fiscal year 1987 to achieve at least $1.80 billion in budget authority and outlay savings. No particular purchaser or method of sale is assumed.

6. FEDERAL AVIATION ADMINISTRATION

The Committee recommendation assumes an increase of $200 million in budget authority for the FAA operations account. This would provide a funding level of $2.85 billion in budget authority each year. The additional $200 million is provided so that additional air traffic controllers can be hired and a level of 15,306 controllers can be achieved during fiscal year 1987. These funds are also intended to allow for the hiring of an additional 200 aviation safety inspectors and support personnel during fiscal year 1987. Any remaining balance of these funds is available for maintaining current levels of staffing in other crucial air traffic control and aviation standards functions.

7. NASA COMMERCIAL AERONAUTICAL R&D

The Committee recommendation assumes a fifty percent reduction in NASA's commercially oriented aeronautical research and development. This would provide a budget authority funding level of $150 million each year for NASA's aeronautical R&D. This reduction would not impact on NASA's space flight programs.

8. COAST GUARD USER FEES

The Committee recommendation assumes twenty-five percent recovery of Coast Guard operation costs or increased user fees of $150 million each year.

9. COAST GUARD RETIRED PAY

The Committee recommendation assumes that all Coast Guard retirees will receive a full cost of living allowance currently assumed to be two percent in 1987. In the event that the inflation rate is above the two percent assumed, Coast Guard retirees would receive the full COLA.

10. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	0.50	0.05	0.40	0.05	0.20	0.05
Major policy issues:						
1. Savings from 3-year freeze at 1986 levels	(1)		(1)		(1)	
2. Additional 2½ percent cut			(1)		(1)	
Total, changes from baseline	(1)	(......)	(1)	(......)	(1)	(......)
Committee credit recommendation	0.50	0.05	0.40	0.05	0.20	0.05

[1] Less than $25 million.

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

The Committee recommends $6.30 billion in budget authority and $7.00 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $1.00 billion in budget authority and $0.50 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 Budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	7.30	7.50	7.85	7.45	7.95	7.25
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.35	−0.10	−0.75	−0.25	−1.00	−0.50
2. Urban development action grants	−0.05	(1)	−0.05	(1)	−0.05	(1)
3. Economic Development Administration	(1)	(1)	(1)	(1)	(1)	(1)
4. Appalachian Regional Commission	(1)	(1)	(1)	(1)	(1)	(1)
5. Subsidized rental housing	(1)	(1)	(1)	(1)	(1)	(1)
6. SBA disaster loans asset sales	−0.45	−0.35	−0.40	−0.05	−0.20	(1)
7. SBA disaster loans		−0.05		−0.05		−0.05
8. Disaster relief supplemental		+0.10		+0.05		
9. Children's initiative	(1)	(1)	(1)	(1)	(1)	(1)
10. Additional 2½ percent cut	−0.15	−0.05	−0.15	−0.05	−0.15	−0.10
11. Rounding	(1)	−0.05	−0.05	−0.05	−0.05	(1)
Total changes from baseline	(−1.00)	(−0.50)	(−1.40)	(−0.40)	(−1.45)	(−0.65)
Committee recommendation	6.30	7.00	6.45	7.05	6.50	6.60

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. URBAN DEVELOPMENT ACTION GRANTS

The Committee recommendation assumes savings of $32 million in budget authority and $2 million in outlays below the 1986 level in which is a ten percent reduction for the Urban Development

Action Grant program (UDAG). Funding of $284 million in budget authority is assumed for UDAG.

3. ECONOMIC DEVELOPMENT ADMINISTRATION

The Committee recommendation assumes savings of $20 million in budget authority and $4 million in outlays which is ten percent below the 1986 level for the Economic Development Administration (EDA). Funding of $180 million in budget authority is assumed for EDA.

4. APPALACHIAN REGIONAL COMMISSION

The Committee recommendation assumes savings of $12 million in budget authority and $1 million in outlays, which is ten percent below the 1986 level for the Appalachian Regional Commission (ARC). Funding of $105 million in budget authority is assumed for ARC.

5. SUBSIDIZED RENTAL HOUSING

The Committee recommendation assumes savings of $14 million in budget authority and $4 million in outlays, which is ten percent below the 1986 level for the Housing Development Action Grant program (HoDAG) and the Rental Rehabilitation program. Funding of $65 million in budget authority is assumed for each of the two rental housing programs.

6. SMALL BUSINESS ADMINISTRATION (SBA) DISASTER LOANS ASSET SALES

The Committee recommendation assumes the sale of SBA loan assets as proposed by the President. Savings of $438 million in budget authority and $343 million in outlays are estimated for fiscal year 1987.

7. SMALL BUSINESS ADMINISTRATION DISASTER LOANS

The Committee recommendation assumes a twenty-five percent reduction below the 1986 level for the disaster loan program resulting in savings of $46 million in outlays in fiscal year 1987. The program level would be $24 million.

8. DISASTER RELIEF SUPPLEMENTAL

The Committee recommendation assumes a $250 million 1986 disaster relief supplemental as recommended by the President and included in the House-passed Urgent Supplemental Bill, H.R. 4515. Outlays in 1987 are estimated at $81 million.

9. CHILDREN'S INITIATIVE

The Committee recommendations assumes $4 million in additional budget authority and outlays above the CBO baseline for Indian Child Welfare Services. Funding of $12 million is assumed for the Indian Child Welfare Services.

10. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels of individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	1.05	0.30	1.35	0.30	1.20	0.30
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	(¹)	(¹)	−0.05	(¹)	−0.05	(¹)
2. Economic Development Administration		(¹)		(¹)		(¹)
3. SBA disaster Loans	−0.10		−0.10		−0.10	
4. Additional 2½ percent cut	(¹)	(¹)	(¹)	(¹)	(¹)	(¹)
Total, changes from baseline	(−0.10)	(¹)	(−0.15)	(¹)	(−0.15)	(¹)
Committee credit recommendation	0.95	0.30	1.20	0.30	1.05	0.30

¹ Less then $25 million.

This table summarizes the Committee's recommendations for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

The Committee recommends $33.75 billion in budget authority and $30.60 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $1.75 billion in budget authority and a decrease of $0.35 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	32.00	30.95	33.30	32.15	34.75	33.45
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.30	−0.15	−0.65	−0.45	−1.05	−0.75
2. High priority programs	+1.50	+0.45		+0.70		+0.35
3. Trade initiative	+0.50	+0.05	+0.25	+0.30	+0.25	+0.10
4. Children's initiative	+0.25	+0.05	+0.25	+0.20	+0.25	+0.25
5. Teacher training initiative	([1])	([1])	([1])	([1])	([1])	([1])
6. Guaranteed student loans	−0.05	−0.05	−0.15	−0.15	−0.25	−0.25
7. College housing loans and higher education facilities		−0.60		−0.30		+0.10
8. Additional 2½ percent cut	−0.15	−0.10	−0.15	−0.15	−0.15	−0.15
Total changes from baseline	(+1.75)	(−0.35)	(−0.45)	(+0.15)	(−0.95)	(−0.35)
Committee recommendation	33.75	30.60	32.85	32.30	33.80	33.10

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 levels for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

The Committee has identified the following programs in this function as low-income programs which primarily serve individuals at a disadvantage within the society and has exempted them from the three-year freeze: compensatory, handicapped and Indian education; student financial assistance; TRIO and aid to historically Black colleges; job training; work incentives (WIN); older Americans employment; vocational rehabilitation; child welfare services; Head Start; and community services block grants.

2. High Priority Programs

The Committee recommendation includes $1.50 billion in budget authority and $0.45 billion in outlays in 1987 for additional funding for existing high priority education, training, and social services programs. Programs in this category include, but are not limited to, compensatory, handicapped and vocational education, student financial assistance, TRIO, Job Training Partnership Act (Title II-A, Job Corps, summer youth and dislocated workers) Head Start, vocational rehabilitation, older Americans programs, and libraries. The Committee recommendation further assumes that sufficient funds are available in this function for advance funding of the Bureau of Indian Affairs Education programs.

3. Trade Initiative

The Committee recommendation assumes funding for a $500 million education and training initiative similar to that contained in H.R. 4728, Education and Training for American Competitiveness Act.

4. Children's Initiative

The Committee recommendation assumes increases above the current baseline funding levels for selected high priority children's programs of $230 million in budget authority and $73 million in outlays in 1987, with inflation increases thereafter. Programs included in this initiative and the funding amounts above the 1987 baseline levels are: compensatory education (+$100 million), Indian education (+$19 million), Head Start (+$100 million), and child welfare services (+$11 million).

5. Teacher Training Initiative

The Committee recommendation assumes Congress will fully fund the $21 million Carl D. Perkins Scholarship and the $2 million Christa McAuliffe (National Talented Teachers) Fellowship program. The Committee recognizes the critical national need to encourage college students to enter the teaching profession and to enhance the quality of instruction in our Nation's schools.

6. Guaranteed Student Loans

The Committee recommendation assumes additional reforms in the guaranteed student loan (GSL) program similar to those included in H.R. 3700, Higher Education Amendments of 1985, which passed the House on December 4, 1985.

7. College Housing Loans and Higher Education Facilities

The Committee recommendation assumes savings of $600 million from the administration's proposal to sell most of the assets of the college housing loan and higher education facilities loan portfolios. The Committee assumes that sufficient funding will be retained in the college housing loan revolving fund to operate a $57 million loan program annually. Further, the Committee strongly urges the administration to provide the colleges to which the loans were made the right of first refusal on the purchase of their loans.

8. Additional 2½ Percent Cut

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL		DL	LG
Baseline	1.50	10.55	1.45	10.70	1.40	10.90
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	([1])	....	−0.05	....	−0.05	....
2. Guaranteed student loans	....	−0.25	([1])	([1])	−0.10	+0.05
3. Additional 2½ percent cut	([1])	....	([1])	....	([1])	....
Total, changes from baseline	([1])	(−0.25)	(−0.05)	([1])	(−0.15)	(+0.05)
Commitee credit recommendation	1.50	10.30	1.40	10.70	1.25	10.95

[1] Less than $25 million.

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 550: HEALTH

The Committee recommends $38.65 billion in budget authority and $38.35 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $0.20 billion in budget authority and $0.05 billion in outlays above the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	38.45	38.30	41.05	40.90	43.65	43.25
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.40	−0.20	−0.80	−0.55	−1.25	−1.00
2. Funding to combat AIDS	+0.10	+0.10		(1)		
3. Children's initiative	+0.20	+0.15	+0.30	+0.25	+0.30	+0.30
4 Medicaid for elderly poor	+0.05	+0.05	+0.20	+0.20	+0.25	+0.25
5. Medicaid holdharmless	+0.05	+0.05				
6. Cost-of-living allowances	(1)	(1)	(1)	(1)	(1)	(1)
7. Addition for high priority programs	+0.45	+0.05		+0.15		+0.25
8. Additional 2½-percent cut	−0.25	−0.15	−0.25	−0.25	−0.25	−0.25
Total changes from baseline	(+0.20)	(+0.05)	(−0.55)	(−0.20)	(−0.95)	(−0.45)
Committee recommendation	38.65	38.35	40.50	40.70	42.70	42.80

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs, will be determined through the annual appropriations process.

The following low-income, high priority discretionary programs are specifically exempt from the freeze and are funded at the current policy baseline or above: community health centers ($418 million), maternal and child health block grant ($553 million), Indian health services and facilities ($885 million), AIDS ($346 million), family planning ($144 million), immunizations and vaccines ($84 million), and migrant health ($47 million).

2. Funding to Combat AIDS

The Committee recommendation assumes $346 million in 1987 for research and other Federal efforts to combat acquired immune deficiency syndrome (AIDS). This level is $112 million, or 48 precent, above the 1986 level of funding.

3. Children's Initiative

The Committee recommendation assumes an increase of $225 million above the baseline to reduce infant mortality and enhance the health of the Nation's children through the following programs: immunizations (+$25 million), maternal and child health block grant (+$75 million), and medicaid expansion for mothers and infants (+$125 million).

4. Medicaid for Elderly Poor

The Committee recommendation assumes $38 million in budget authority and outlays in 1987 to permit States the option of providing medicaid coverage to the elderly whose income is below the Federal poverty threshold.

5. Medicaid Holdharmless

The Committee recommendation assumes $57 million in budget authority and outlays in 1987 to hold harmless for one year 13 States which were adversely affected by the recent enactment of legislation to change the medicaid determination to an annual basis.

6. Cost-of-Living Allowances (COLA's) for Public Health Service Retirees

The Committee recommendation assumes that all retirees will receive a full cost-of-living allowance, currently assumed to be 2 percent in 1987. In the event that the inflation rate is above the two percent assumed, retirees would receive the full COLA.

7. Addition for High Priority Health Programs

The Committee recommendation assumes an addition of $0.45 billion in budget authority and $0.05 billion in outlays in 1987 for high priority health programs.

8. Additional 2½ Percent Cut

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	(1)	0.30	(1)	0.30	0.05	0.30
Major policy issues:						
1. Savings from 3-year freeze at 1986 levels	(1)	(1)	(1)			
2. Additional 2½-percent cut	(1)	(1)	(1)			
Total changes from baseline	(......)	(1)	(......)	(1)	(......)	(1)
Committee recommendation	(1)	0.30	(1)	0.30	0.05	0.30

[1] Less than $25 million.

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 570: MEDICARE

The Committee recommends $83.00 billion in budget authority and $73.40 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $0.35 billion in budget authority and $0.30 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	0	BA	0	BA	0
Baseline	83.35	73.70	91.75	82.40	101.80	92.25
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels		−0.05		−0.10		−0.15
2. Medicare provider reforms	−0.35	−0.45	−0.35	−0.80	−0.35	−1.05
3. Medicare hospital deductible	(1)	+0.25	(1)	+0.40	(1)	+0.35
4. Additional 2½-percent cut		−0.05		−0.05		−0.05
5. Other assumptions						
Total changes from baseline	(−0.35)	(−0.30)	(−0.35)	(−0.55)	(−0.35)	(−0.90)
Committee recommendation	83.00	73.40	91.40	81.85	101.45	91.35

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. MEDICARE PROVIDER PAYMENT REFORMS

The Committee recommendation assumes that medicare savings will be achieved by limiting payments to some providers. The Committee further assumes that the reforms enacted will not reduce benefits or increase out-of-pocket payments for medicare beneficiaries.

3. MEDICARE HOSPITAL DEDUCTIBLE

The Committee recommendation assumes that $0.25 billion in 1987 and $1.00 billion in 1987–1989 will be required to help to lower the increases in the medicare hospital deductible. The additional funding that is assumed will result in a hospital deductible of $540 in January 1987, rather than the $572 deductible which is scheduled under current law. The authorizing committee may choose to lower the deductible below the level assumed in the budget resolution. If so, the authorizing committee will accommodate such additional spending within the overall targets assumed in the resolution.

4. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

5. OTHER ASSUMPTIONS

The Committee encourages appropriate committees of jurisdiction to examine the prospect of providing payments under medicare for vision care services performed by optometrists. Such services would include only those that optometrists already are licensed by their respective States to provide and that are already covered by medicare when provided by physicians.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 600: INCOME SECURITY

The Committee recommends $165.25 billion in budget authority and $121.40 billion outlays for this function for fiscal year 1987. These totals represent an increase of $0.90 billion in budget authority and a decrease of $1.20 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	0	BA	0	BA	0
Baseline	164.35	122.60	172.05	128.90	176.90	133.55
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.05	−0.20	−0.05	−0.30	−0.05	−0.30
2. COLA for civilian and military retirement	(1)	−0.45	−0.05	−0.60	−0.05	−0.65
3. Civil Service Supplemental Retirement System	+0.95	− 0.35	+1.50	− 0.45	+0.8	− 1.55
Civil Service Supplemental Retirement System—investments		−0.35		−0.50		−0.60
4. Children's initiative	+0.10	+0.05	+0.10	+0.10	+0.10	+0.10
5. Low-income energy assistance	+0.15	+0.05	(1)	(1)		
6. Impact of 3 percent military pay raise	−0.20		−0.70		−1.30	
7. Child nutrition	+0.05	+0.05	+0.05	+0.05	+0.05	+0.05
8. Additional 2½-percent cut	(1)	(1)	(1)	(1)	(1)	(1)
Total changes from baseline	(+0.90)	(−1.20)	(+0.85)	(−1.70)	(−0.40)	(−2.95)
Committee recommendation	165.25	121.40	172.90	127.20	176.50	130.60

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. COLA FOR CIVILIAN AND MILITARY RETIREMENT

The Committee recommendation assumes that all civilian and military retirees will receive a full cost-of-living allowance, currently assumed to be two percent in 1987. In the event that the inflation rate is above the two percent assumed, retirees will receive the full COLA.

3. CIVIL SERVICE SUPPLEMENT RETIREMENT SYSTEM

The Committee recommendation assumes enactment of H.R. 3660, the Civil Service Supplemental Retirement System. In addition, the recommendation assumes limits on the proportion of investments from the Civil Service Supplement Retirement System (H.R. 3660) which may be invested in non-government securities.

4. CHILDREN'S INITIATIVE

The Committee recommendation assumes an addition of $75 million in budget authority and $68 million in outlays above inflation in 1987 for the supplemental food program for women, infants, and children (WIC) as part of an overall children's initiative. The baseline estimate for WIC is $1.6 billion in 1987.

5. LOW-INCOME ENERGY ASSISTANCE

The Committee recommendation assumes an increase of $67 million in budget authority and $60 million in outlays in 1987 and $14 million in budget authority and $20 million in outlays in 1988 for the low-income energy assistance program. This would bring budget authority for this program to a level of $1,986 million for fiscal years 1987–1988.

6. IMPACT OF THREE PERCENT MILITARY PAY RAISE

The three percent military pay raise assumed in the recommendation in 1987 would reduce agency contributions for retirement pay.

7. CHILD NUTRITION

The Committee recommendation assumes enactment of H.R. 7, School Lunch and Child Nutrition Amendments, which adds $0.05 billion in budget authority and outlays to current policy baseline funding of $4.2 billion for child nutrition programs.

The Committee recommendation also assumes the baseline level of $12.2 billion for the food stamp program.

The Committee recommendation assumes an addition of $5.5 million in 1987 for nutrition assistance to Puerto Rico, which reflects the funding level of $853 million authorized in the Food Security Act of 1985.

8. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	1.80	....	1.90	....	1.45	....
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	(1)	....	(1)	....	(1)	....
2. Additional 2½-percent cut	(1)	....	(1)	....	(1)	....
Total, changes from baseline	(1)	(......)	(1)	(......)	(1)	(......)
Committee credit recommendation	1.80	....	1.90	....	1.45	....

[1] Less than $25 million.

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 650: SOCIAL SECURITY

The Committee recommends $226.65 billion in budget authority and $209.35 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $0.05 billion in budget authority and a decrease of $2.20 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	226.60	211.55	256.75	226.30	280.85	241.70
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	(1)	−0.10	(1)	−0.15	+0.05	−0.20
2. Social Security cost-of-living allowances	+0.05	−2.10	+0.25	−2.90	+0.50	−2.95
3. Other assumptions						
Total changes from baseline	(+0.05)	(−2.20)	(+0.25)	(−3.05)	(+0.55)	(−3.55)
Committee recommendation	226.65	209.35	257.00	223.25	281.40	238.55

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. SOCIAL SECURITY COST-OF-LIVING ALLOWANCE (COLA)

The recommendation assumes that all social security recipients will receive a full cost-of-living allowance, currently assumed to be two percent in 1987. The recommendation also assumes that the provision which eliminates the COLA in years when the CPI is less than three percent will be waived. In the event that the inflation rate is above the two percent assumed, social security recipients will receive the full COLA.

3. OTHER ASSUMPTIONS

The Committee recommendation assumes that the administration's proposal to cut Social Security Administration staff by 3,000 will not be implemented. The Congress has never approved the administration's multi-year plan to cut SSA staff by 20 percent by 1990, and it is the Committee's position that the drastic staff reductions should not be allowed to go forward prior to further consultation with Congress and a specific congressional authorization.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 700: VETERANS BENEFITS AND SERVICES

The Committee recommends $27.05 billion in budget authority and $26.70 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $0.20 billion in budget authority from the baseline and no reduction in outlays.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	27.25	26.70	27.85	27.35	28.05	27.65
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.35	−0.30	−0.70	−0.60	−1.05	−0.95
2. VA medical care addition	+0.40	+0.40	+0.40	+0.40	+0.40	+0.40
3. VA construction	−0.15	(1)	+0.05	(1)	+0.10	(1)
4. Acute care sections conversion to long-term care	−0.10	−0.10	−0.15	−0.10	−0.20	−0.20
Total changes from baseline	(−.20)	(.....)	(−0.40)	(−0.30)	(−0.75)	(−0.75)
Committee recommendation	27.05	26.70	27.45	27.05	27.30	26.90

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. VA Medical Care Addition

The Committee recommendation assumes $150 million above inflation for VA medical care in 1987. The funding level of $9.55 billion in budget authority, which is $0.40 billion above the 1986 level, will accommodate high priority medical care for the Nation's veterans.

3. VA Construction

The Committee recommendation assumes the President's request for VA medical facility construction, in addition to nursing home construction requested in the Veterans' Affairs Committee's Views and Estimates report to the Budget Committee. The fiscal year 1987 budget authority level of $474 million includes an additional $23 million above the President's budget for site acquisition and design funds for facilities in the following locations: Palm Beach, FLA; Pittsburgh, PA; Hampton, VA; and Tampa, FLA.

4. ACUTE CARE CONVERSIONS

The Committee recommendation assumes savings of $75 million in budget authority and $85 million in outlays from converting unutilized acute care hospital bed sections to long-term care use.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 Budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG
Baseline	1.55	16.30	1.50	16.95	1.30	17.55
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels						
2. Additional 2½ percent cut						
Total, changes from baseline	(......)	(......)	(......)	(......)	(......)	(......)
Committee credit recommendation	1.55	16.30	1.50	16.95	1.30	17.55

This table summarizes the Committee's recommendation for new direct loan obligations and new primary loan guarantee commitments for credit assistance programs in this function. The recommendations reflect the effect on credit program levels of the spending recommendations discussed above.

FUNCTION 750: ADMINISTRATION OF JUSTICE

The Committee recommends $7.20 billion in budget authority and $7.15 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $0.25 billion in budget authority and $0.15 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	6.95	7.00	7.10	7.15	7.20	7.25
Recommended changes:						
1. Administration of justice	+0.25	+0.15	+0.05	+0.10	+0.05	+0.10
Total changes from baseline	(+0.25)	(+0.15)	(+0.05)	(+0.10)	(+0.05)	(+0.10)
Committee recommendation	7.20	7.15	7.15	7.25	7.25	7.35

EXPLANATION OF COMMITTEE RECOMMENDATION

1. ADMINISTRATION OF JUSTICE ACTIVITIES

The Committee recommendation assumes that all programs in this function are funded at the baseline levels.

The Committee recommendation further assumes an increase of $200 million in 1987 above the baseline for Customs Service activities and $50 million in all years above the baseline for the Drug Enforcement Agency (DEA). The Committee assumes that these increases will be used for trade and drug interdiction activities.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 800: GENERAL GOVERNMENT

The Committee recommends $5.75 billion in budget authority and $5.65 billion in outlays for this function for fiscal year 1987. These totals represent an increase of $0.20 billion in budget authority and $0.15 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	5.55	5.50	5.70	5.70	5.60	5.70
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.05	−0.10	−0.15	−0.20	−0.30	−0.35
2. Customs Service user fees	−0.30	−0.30	−0.30	−0.30	−0.30	−0.30
3. Internal Revenue Service	+0.60	+0.60	+0.95	+0.90	+1.20	+1.20
4. Additional 2½-percent cut	−0.05	−0.05	−0.05	−0.05	−0.05	−0.05
5. Other assumptions						
Total changes from baseline	(+0.20)	(+0.15)	(+0.45)	(+0.35)	(+0.55)	(+0.50)
Committee recommendation	5.75	5.65	6.15	6.05	6.15	6.20

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. Customs Service User Fees

The Committee recommendation assumes increases in Customs Service user fees for processing commercial imports as proposed in the administration's 1987 budget. These fee increases would increase receipts by an estimated $300 million in 1987 and would be in addition to the Customs fees approved in P.L. 99-272, The Deficit Reduction Amendments of 1985.

3. Internal Revenue Service (IRS)

The Committee recommendation assumes an increase of $612 million in IRS funding over the 1986 funding level, up to a total

1987 level of $4,098 million, in order to improve the processing of tax returns and the collection of delinquent taxes. This increase is the amount requested in the administration's 1987 budget and is expected to result in the collection of $8.80 billion of additional revenues over the three fiscal years, 1987–1989.

4. ADDITIONAL 2½ PERCENT CUT

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in the fiscal year 1987 (excluding low-income children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

5. OTHER ASSUMPTIONS

The Committee believes that, despite recent emphasis, there is more that can be done to identify and accelerate the collection of debts owed to the United States Government. The Committee further believes that the administration should redouble its efforts to make debt collection its highest management priority and to formalize government-wide procedures to identify and collect debts.

The Committee requests that the Office of Management and Budget submit to the Speaker of the House and to the President pro tempore of the Senate, for referral to the appropriate Committees of jurisdiction, by September 1, 1986, a report on the administration's debt collection efforts. The report should address the following topics: (1) the lastest estimate of the outstanding volume of debt owed to the United States Government, (2) the amount of debt collection that is assumed in the administration's fiscal year 1987 budget, (3) the formal procedures established within the Executive Branch to identify and collect debts, (4) additional administrative actions that could accelerate debt collections above the level already assumed, including the possibility of consolidated administration of debt management and collection, and (5) legislative proposals to further improve debt collection.

The Committee requests that the appropriate Committees of the House and Senate carefully review this report and hold hearings and, if warranted, report legislation to improve the collection of debt owed to the government.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 850: GENERAL FISCAL ASSISTANCE

The Committee recommends $1.85 billion in budget authority and $2.65 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $4.70 billion in budget authority and $3.55 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	6.55	6.20	6.60	6.60	6.65	6.65
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−0.60	−0.45	−0.55	−0.55	−0.55	−0.55
2. General revenue sharing	−4.00	−2.95	−4.00	−4.00	−4.00	−4.00
3. Forest Service payments and Minerals Management Service receipts	−0.10	−0.10	−0.10	−0.10	−0.10	−0.10
4. Additional 2½-percent cut	([1])	−0.05	−0.05	−0.05	([1])	([1])
Total changes from baseline	(−4.70)	(−3.55)	(−4.70)	(−4.70)	(−4.65)	(−4.65)
Committee recommendation	1.85	2.65	1.90	1.90	2.00	2.00

[1] Less than $25 million.

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Savings From Three-Year Freeze at 1986 Levels

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. General Revenue Sharing

The Committee recommendation assumes savings of $4,569 million in budget authority and $3,372 million in outlays from the General Revenue Sharing (GRS) program. Authorization for GRS expires at the end of fiscal year 1986. However, the Committee recommendation recognizes the uncertainty in the reauthorization process and does not prejudice the possible enactment of H.R. 1400, the House-reported reauthorization of General Revenue Sharing. The Committee assumes that if and when the General Revenue

Sharing program is enacted, funding of $4,567 million could be provided for the revenue from the overall spending allocation contained in the Committee-passed resolution.

3. Forest Service Payments and Minerals Management Service Receipts

The Committee recommendation assumes savings of $25 million in budget authority and outlays from the Forest Service Payments program and $59 million in budget authority and outlays from the Minerals Management Service Receipts program, ten percent reductions. The Forest Service Payments program would be funded at $227 million and the Minerals Management Service Receipts program would be funded at $528 million.

4. Additional 2½ Percent Cut

The Committee recommendation assumes an additional 2½ percent cut in non-defense discretionary programs in fiscal year 1987 (excluding low-income and children's initiative, and other protected programs such as embassy security, law enforcement, veterans medical care). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 900: NET INTEREST

The Committee recommends $143.50 billion in budget authority and $143.50 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $1.70 billion in budget authority and $1.70 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	145.20	145.20	156.55	156.55	158.70	158.70
Recommended changes:						
1. Changes in offsetting interest receipts associated with freeze and with loan sales and reductions	−0.20	−0.20	+0.25	+0.25	+0.35	+0.35
2. Debt service savings caused by deficit reduction	−1.50	−1.50	−5.30	−5.30	−10.10	−10.10
Total changes from baseline	(−1.70)	(−1.70)	(−5.05)	(−5.05)	(−9.75)	(−9.75)
Committee recommendation	143.50	143.50	151.50	151.50	148.95	148.95

EXPLANATION OF COMMITTEE RECOMMENDATION

1. Changes in Offsetting Interest Receipts

The amounts shown are adjustments to offsetting interest receipts associated with the freeze, the additional 2½ percent cut, and loan sales and other loan program changes.

2. Debt Service Savings

Debt service savings resulting from the deficit reduction recommended by the Committee are shown.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION: 920 ALLOWANCES

The Committee recommends $0.55 billion in budget authority and $0.60 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $0.50 billion in budget authority and $0.50 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	0	BA	0	BA	0
Baseline	1.05	1.10	3.00	3.20	5.15	5.50
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	−1.05	−1.10	−3.00	−3.20	−5.15	−5.50
2. Civilian pay raises	+0.70	+0.75	+1.75	+1.85	+2.80	+3.00
3. 2087 hour work-year	−0.15	−0.15	−0.15	−0.15	−0.15	−0.15
Total changes from baseline	(−0.50)	(−0.50)	(−1.40)	(−1.50)	(−2.50)	(−2.65)
Committee recommendation	0.55	0.60	1.60	1.70	2.65	2.85

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE-YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. CIVILIAN PAY RAISE

The Committee recommendation assumes Federal civilian employee pay increases of three percent, effective in January of each fiscal year.

3. 2087 HOUR WORK-YEAR

The Committee recommendation reflects savings from the adoption of the 2087 hour work-year in the Reconciliation Bill (P.L. 99-272).

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

The Committee recommends −$39.00 million on budget authority and −$39.20 billion in outlays for this function for fiscal year 1987. These totals represent a decrease of $1.70 billion in budget authority and $1.90 billion in outlays from the baseline.

SUMMARY OF RECOMMENDATION

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	BA	O	BA	O	BA	O
Baseline	−37.30	−37.30	−38.35	−38.35	−40.40	−40.40
Recommended changes:						
1. Savings from 3-year freeze at 1986 levels	+0.85	+0.85	+2.40	+2.40	+4.10	+4.10
2. Military/civilian pay raise	−0.55	−0.55	−1.40	−1.40	−2.20	−2.20
3. Oil overcharge funds	−2.25	−2.25				
4. Oil overcharge fund indirected restitution	−0.25	+0.05	+0.25	+0.25	+0.25	−0.25
Total changes from baseline	(−1.70)	(−1.90)	(+1.25)	(+1.25)	(+2.15)	(+2.15)
Committee recommendation	−39.00	−39.20	−37.10	−37.10	−38.25	38.25

EXPLANATION OF COMMITTEE RECOMMENDATION

1. SAVINGS FROM THREE/YEAR FREEZE AT 1986 LEVELS

The Committee recommendation assumes discretionary programs will be maintained at the fiscal year 1986 level for the three years (excluding low-income and children's initiative). The recommendation assumes that within the overall totals, funding levels for individual programs will be determined through the annual appropriations process.

2. MILITARY/CIVILIAN PAY RAISE

The Committee recommendation assumes a military and civilian employee pay increase of three percent, effective in January of each fiscal year.

3. OIL OVERCHARGE FUNDS

The Committee recommendation assumes that legislation will be enacted providing for the United States to receive, beginning on October 1, 1986, all amounts recovered and to be recovered from oil overcharge cases (which amounts have been determined not to be Federal funds), less the amounts required, as provided in such legislation, to provide overcharged persons with compensation as direct restitution in appropriate administrative and judicial proceedings. The recommendation also assumes that the legislation will provide for the indirect restitution described below.

The Committee recommendation further assumes that the administration and the courts will take note of the intention to legislate in this area and, therefore, that they will take no further actions—particularly with respect to the Stripper Well case, which is pending in the Federal District Court in Kansas, and the proposed consent order of the Department of Energy relative to that case—to make it infeasible to achieve the savings assumed. If, however, actions beyond the control of the Congress or the administration should make part or all of these savings unachieveable, the recommendation would be adjusted to reflect those actions.

The Committee recommendation also assumes, in Functions 270 and 600, the enactment of a three-year advance appropriation for the DOE low-income weatherization program and the HHS low-income home energy assistance program at the levels assumed in those functions.

4. OIL OVERCHARGE FUND INDIRECT RESTITUTION

The Committee recommendation assumes that the above legislation will provide that part of the funds recovered from oil overcharges will be used annually to make indirect restitution through the four DOE state energy conservation grant programs referred to in the Warner amendment of 1982. The recommendation assumes that all indirect restitution of oil overcharge funds shall be done in this manner.

SUMMARY OF CREDIT RECOMMENDATION, NEW DIRECT LOANS AND PRIMARY LOAN GUARANTEES

[In billions of dollars]

	Fiscal year—					
	1987 budget		1988 plan		1989 plan	
	DL	LG	DL	LG	DL	LG

There are no credit assistance programs in this function.

C. Credit Budget

The Committee recommends aggregate credit budget totals of $34.25 billion of new direct loan obligations and $85.40 billion of new primary loan guarantee commitments for 1987. The following table compares the aggregate credit budget recommendations to the baseline and the administration's 1987 budget.

[In billions of dollars]

	1987 budget	1988 plan	1989 plan
Baseline:			
Direct loan obligations	36.35	34.90	33.95
Primary guarantee commitments	89.05	92.90	95.40
President's February budget:			
Direct loan obligations	33.60	28.00	24.80
Primary guarantee commitments	79.80	81.70	83.30
Committee recommendations:			
Direct loan obligations	34.25	32.25	30.60
Primary guarantee comments	85.40	87.30	87.65

For the first time in 1987, because of changes enacted in the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings), binding amounts of new direct loan obligations and new primary loan guarantee commitments are required to be in the Congressional budget resolution. In addition, the credit budget amounts contained in budget resolution are allocated to the appropriate committees of jurisdiction. (See Section V. for the resulting allocation of the Committee's recommended credit budget amounts.) Also, under Gramm-Rudman-Hollings, legislation which would cause a committee's allocation of either new direct loans or new primary guarantees to be exceeded would be subject to a point of order. Finally, Gramm-Rudman-Hollings requires that new credit assistance authority be effective only to the extent that it is provided in annual appropriations acts.

The Committee's credit budget recommendations reflect the same policy assumptions as the spending recommendations. The rcommendations include a three-year free of discretionary direct loan and loan guarantee activity at the 1986 level. In addition, the credit assistance recommendations reflect the 1986 level. In addition, the credit assistance recommendations reflect an additional 2½ percent reduction in discretionary credit program below the freeze level. The credit recommendations also include the effects on credit program levels of Committee spending recommendations to reduce or reform certain programs like foreign aid, Economic Development Administration, SBA disaster loans, and guaranteed student loans. Finally, the Committee recommendations assume $55.00 billion of secondary loan guarantee commitments per year, 1987–

1989. Secondary loan guarantee commitments are not subject to allocation and binding celings under Gramm-Rudman-Hollings, as new direct loans and primary loan guarantee commitments are.

D. Debt Subject to Limit

The Committee recommends public debt levels for the end of fiscal years 1987, 1988 and 1989 calculated as follows:

Public debt subject to limit

[In billions of dollars]

Fiscal year 1986 debt:	
Debt September 30, 1985	1,823.80
Fiscal year 1986 total deficit	204.50
Trust fund surplus fiscal year 1986	64.10
Other adjustments	[1] 15.60
Total	2,108.00
Fiscal year 1987 debt:	
Debt September 30, 1986 (estimated)	2,108.00
Fiscal year 1987 total deficit	137.05
Trust fund surplus fiscal year 1987	73.70
Other adjustments	0.85
Total	2,319.60
Fiscal year 1988 debt:	
Debt September 30, 1987 (estimated)	2,319.60
Fiscal year 1988 total deficit	105.85
Trust fund surplus fiscal year 1988	93.30
Other adjustments	−1.85
Total	2,516.90
Fiscal year 1989 debt:	
Debt September 30, 1988 (estimated)	2,516.90
Fiscal year 1989 total deficit	64.25
Trust fund surplus fiscal year 1989	104.20
Other adjustments	−0.25
Total	2,685.10

[1] Includes $13.4 billion adjustment to trust funds for underinvestment in the previous year owing to debt celing constructions.

The following table presents historical data on the debt subject to limit (which includes virtually all of the gross public debt outstanding). In the four years between the end of fiscal year 1981 and the end of fiscal year 1985, more new Federal debt was created than in the entire 35 years from the end of World War II through 1981.

Debt subject to limit

[In billions of dollars]

End of fiscal year:	*Actual*
1946	268.9
1981	998.8
1985	1,823.8

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Current level (enacted law):			
050 National defense	388	112,047	0
150 International affairs	173	6,532	0
250 General science, space, and technology	0	3,109	0
270 Energy	0	3,476	0
300 Natural resources and environment	10	6,564	0
350 Agriculture	0	773	0
370 Commerce and housing credit	0	935	0
400 Transportation	405	18,560	0
450 Community and regional development	1	5,013	0
500 Education, training, employment, and social services	8,252	24,424	0
550 Health	27,658	31,928	0
570 Medicare	20,826	20,826	0
600 Income security	27,622	38,859	0
650 Social Security	501	501	0
700 Veterans benefits and services	15,146	17,306	0
750 Administration of justice	150	1,245	0
800 General Government	5,680	6,339	0
850 General purpose fiscal assistance	20	21	0
Subtotal	106,832	298,458	0
Discretionary appropriations action (assumed legislation):			
050 National defense	280,296	162,898	0
150 International affairs	16,646	8,421	0
250 General science, space, and technology	8,795	5,715	0
270 Energy	4,545	1,860	0
300 Natural resources and environment	14,090	7,972	0
350 Agriculture	22,809	1,717	0
370 Commerce and housing credit	5,520	1,734	0
400 Transportation	9,785	8,921	0
450 Community and regional development	5,953	1,045	0
500 Education, training, employment, and social services	24,622	6,885	0
550 Health	10,779	6,217	0
570 Medicare	3	1,561	0
600 Income security	29,265	19,690	0
650 Social Security	−38	2,265	0
700 Veterans benefits and services	10,949	9,016	0
750 Administration of justice	6,938	5,842	0
800 General Government	5,950	5,170	0
850 General purpose fiscal assistance	602	589	0
920 Allowances	−165	−147	0
Subtotal	457,345	257,371	0
Discretionary action by other committees (assumed entitlement legislation):			
050 National defense	5,125	2,088	0
400 Transportation	−3	−3	0
500 Education, Training, Employment, and social services	−25	−25	0
550 Health	212	212	0

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
600 Income security	831	829	0
700 Veterans benefits and services	293	264	0
920 Allowances	715	747	0
Subtotal	7,148	4,112	0
Committee total	571,325	559,941	0
AGRICULTURE COMMITTEE			
Current level (enacted law):			
270 Energy	1,926	1,770	0
300 Natural resources and environment	288	284	0
350 Agriculture	1,132	21,200	18,096
400 Transportation	100	100	0
450 Community and regional development	491	1,154	0
850 General purpose fiscal assistance	252	252	252
Subtotal	4,188	24,760	18,348
Discretionary action (assumed legislation):			
350 Agriculture	−55	−53	0
850 General purpose fiscal assistance	−25	−25	−25
Subtotal	−80	−79	−25
Committee total	4,108	24,681	18,323
ARMED SERVICES COMMITTEE			
Currrent level (enacted law):			
050 National defense	11,227	11,203	164
600 Income security	33,195	18,342	18,342
700 Veterans benefits and services	212	36	36
Subtotal	44,634	29,581	18,542
Discretionary action (assumed legislation):			
600 Income security	7	−187	0
Subtotal	7	−187	0
Committee total	44,641	29,394	18,542
BANKING, FINANCE AND URBAN AFFAIRS COMMITTEE			
Current level (enacted law):			
050 National defense	6	6	0
150 International affairs	0	−238	0
370 Commerce and housing credit	207	−1,762	0
450 Community and regional development	104	9	0
500 Education, training, employment, and social services	0	−622	−29
550 Health	0	−1	0
600 Income security	1,792	1,736	0
700 Veterans benefits and services	0	−24	0
800 General Government	45	45	0
900 Net interest	19	19	0
Subtotal	2,173	−832	−29
Discretionary action (assumed legislation):			
370 Commerce and housing credit	642	−1,158	0
900 Net interest	−247	−247	0
Subtotal	395	−1,405	0

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
Committee total	2,568	−2,237	−29
DISTRICT OF COLUMBIA COMMITTEE			
Current level (enacted law):			
750 Administration of justice	11	11	11
Subtotal	11	11	11
Committee total	11	11	11
EDUCATION AND LABOR COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	12	−20	4,390
600 Income security	84	79	6,532
Subtotal	96	59	10,923
Discretionary action (assumed legislation):			
500 Education, training, employment, and social services	0	0	−25
600 Income security	0	0	36
Subtotal	0	0	11
Committee total	96	59	10,934
ENERGY AND COMMERCE COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	35	35	0
400 Transportation	9	−17	0
550 Health	8	−1	26,200
600 Income security	12,693	11,485	8,875
850 General purpose fiscal assistance	7	6	7
Subtotal	12,752	11,508	35,082
Discretionary action (assumed legislation):			
270 Energy	−369	−369	0
400 Transportation	−1,800	−1,800	0
550 Health	0	0	220
600 Income security	1	−51	0
950 Undistributed offsetting receipts	−1,994	−2,186	0
Subtotal	−4,162	−4,406	220
Committee total	8,589	7,102	35,302
FOREIGN AFFAIRS COMMITTEE			
Current level (enacted law):			
150 International affairs	10,745	8,965	0
600 Income security	785	249	249
800 General Government	3	3	0
Subtotal	11,533	9,217	249
Discretionary action (assumed legislation):			
600 Income security	0	−3	0
Subtotal	0	−3	0
Committee total	11,533	9,214	249

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
GOVERNMENT OPERATIONS COMMITTEE			
Current level (enacted law):			
800 General Government	9	9	0
850 General purpose fiscal assistance	0	814	814
Subtotal	9	824	814
Committee total	9	824	814
ADMINISTRATION COMMITTEE			
Current level (enacted law):			
500 Education, training, employment, and social services	9	9	0
800 General Government	37	18	65
Subtotal	46	27	65
Committee total	46	27	65
INTERIOR AND INSULAR AFFAIRS COMMITTEE			
Current level (enacted law):			
270 Energy	277	−46	0
300 Natural resources and environment	187	135	10
450 Community and regional development	493	426	434
550 Health	3	3	0
800 General Government	118	164	158
850 General purpose fiscal assistance	728	728	142
Subtotal	1,807	1,411	744
INTERIOR AND INSULAR AFFAIRS COMMITTEE			
Discretionary action (assumed legislation):			
300 Natural resources and environment	−51	−51	0
850 General purpose fiscal assistance	−59	−59	0
900 Net interest	−903	−903	0
950 Undistributed offsetting receipts	−1,264	−1,264	0
Subtotal	−2,276	−2,276	0
Committee total	−470	−866	744
JUDICIARY COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	121	110	0
600 Income security	17	4	4
750 Administration of justice	100	51	150
800 General Government	314	314	314
Subtotal	552	479	468
Committee total	522	479	468
MERCHANT MARINE AND FISHERIES COMMITTEE			
Current level (enacted law):			
300 Natural resources and environment	299	277	0
370 Commerce and housing credit	45	44	0
400 Transportation	783	400	373
850 General purpose fiscal assistance	7	7	0
Subtotal	1,135	728	373
Discretionary action (assumed legislation):			
300 Natural resources and environment	−20	−20	0

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
400 Transportation	−146	−146	0
Subtotal	−166	−166	0
Committee total	969	562	373
POST OFFICE AND CIVIL SERVICE COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	3,112	2,280	0
550 Health	0	2	1,462
600 Income security	43,549	24,452	24,452
800 General Government	11,831	11,831	0
Subtotal	58,492	38,565	25,914
Discretionary action (assumed legislation):			
600 Income security	1,851	−22	−700
Subtotal	1,851	−22	−700
Committee total	60,343	38,543	25,214
PUBLIC WORKS AND TRANSPORTATION COMMITTEE			
Current level (enacted law):			
270 Energy	664	275	0
300 Natural resources and environment	188	128	0
400 Transportation	5,127	−1	32
450 Community and regional development	4	4	0
800 General Government	0	−6	0
Subtotal	5,982	400	32
Discretionary action (assumed legislation):			
400 Transportation	10,856	0	0
Subtotal	10,856	0	0
Committee total	16,839	400	32
SCIENCE AND TECHNOLOGY COMMITTEE			
Current level (enacted law):			
250 General science, space, and technology	5	−74	0
270 Energy	85	112	0
Subtotal	90	38	0
Committee total	90	38	0
SMALL BUSINESS COMMITTEE			
Current level (enacted law):			
370 Commerce and housing credit	191	56	0
Subtotal	191	56	0
Discretionary action (assumed legislation):			
450 Community and regional development	−438	−343	0
Subtotal	−438	−343	0
Committee total	−247	−287	0

V. ALLOCATION OF SPENDING RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SEC. 302(A) OF THE CONGRESSIONAL BUDGET ACT—FISCAL YEAR: 1987—Continued

[In millions of dollars]

	Budget authority	Outlays	Entitlement authority
VETERANS AFFAIRS COMMITTEE			
Current level (enacted law):			
700 Veterans benefits and services	1,717	1,370	16,783
Subtotal	1,717	1,370	16,783
Discretionary action (assumed legislation):			
700 Veterans benefits and services	0	0	293
Subtotal	0	0	293
Committee total	1,717	1,370	17,076
Ways and Means Committee			
Current level (enacted law):			
500 Education, training, employment, and social services	984	0	3,458
570 Medicare	90,317	78,984	78,564
600 Income security	25,626	18,007	38,743
650 Social Security	233,061	215,641	209,909
800 General Government	7	7	0
850 General purpose fiscal assistance	355	355	355
900 Net interest	206,353	206,353	206,279
Subtotal	556,703	519,346	537,308
Discretionary action (assumed legislation):			
570 Medicare	−340	−165	−165
650 Social Security	70	−2,122	0
800 General Government	−300	−300	0
Subtotal	−570	−2,577	−165
Committee total	556,133	516,769	537,143
Current level (enacted law):			
050 National defense	−12,043	−12,043	0
150 International affairs	−10,564	−9,880	0
270 Energy	−2,227	−2,227	0
300 Natural resources and environment	−3,040	−3,040	0
350 Agriculture	−86	−86	0
370 Commerce and housing credit	−73	−73	0
400 Transportation	−516	−516	0
450 Community and regional development	−308	−308	0
500 Education, training, employment, and social services	−104	−51	0
550 Health	−10	−10	0
570 Medicare	−27,806	−27,806	0
600 Income security	−12,067	12,067	0
650 Social Security	−6,944	−6,944	0
700 Veterans benefits and services	−1,268	−1,268	0
800 General Government	−17,945	−17,945	0
850 General purpose fiscal assistance	−38	−38	0
900 Net interest	−61,722	−61,722	−34,615
950 Undistributed offsetting receipts	−35,742	−35,750	0
Subtotal	−192,504	−191,775	−34,615
Total:			
Current level	616,441	744,231	631,011
Discretionary action	469,909	250,019	−366
Grand total	1,086,350	994,250	630,645

Totals may not add because of rounding.

ALLOCATION OF CREDIT RESPONSIBILITY TO HOUSE COMMITTEES PURSUANT TO SECTION 302(a) OF THE CONGRESSIONAL BUDGET ACT

[In millions of dollars]

House committee	Fiscal year 1987	
	Direct loans	Primary guarantees
Current level (enacted law):		
Appropriations	4,328	274
Agriculture	12,722	5,500
Armed Services	0	0
Banking, Finance, and Urban Affairs	613	350
District of Columbia	0	0
Education and Labor	0	10,545
Energy and Commerce	0	268
Foreign Affairs	0	0
Government Operations	0	0
House Administration	0	0
Interior and Insular Affairs	0	0
Judiciary	0	0
Merchant Marine and Fisheries	420	70
Post Office and Civil Service	0	0
Public Works and Transportation	203	0
Science and Technology	0	0
Small Business	0	0
Veterans Affairs	979	16,300
Ways and Means	3	0
Subtotal	19,268	33,307
Discretionary action (assumed legislation):		
Appropriations	14,982	52,328
Education and Labor	0	−235
Subtotal	14,982	52,093
Grand total	34,250	85,400

VI. ENFORCEMENT PROCEDURES AND MISCELLANEOUS PROVISIONS

Adoption of a budget resolution puts in place the congressional budget plan. To achieve the objectives of this plan, Congress has a number of tools available.

A. Reconciliation in the Resolution

The Budget Act sets forth the reconciliation process as one tool to implement the policies contained in the budget resolution. The framework of the reconciliation process is described in section 310 of the Congressional Budget Act. The Balanced Budget and Emergency Deficit Control Act of 1985 amended section 310 of the Budget Act to comport with the elimination of the required second budget resolution, allow reconciliation of credit authority and outyears, and prohibit changes in Social Security to be part of reconciliation.

Reconciliation instructions contained in the concurrent budget resolution for fiscal year 1987 direct 11 House committees and 9 Senate committees to report legislation reducing deficits by $9.5 billion in fiscal year 1987, and by $5.8 billion and $7.2 billion in fiscal years 1988 and 1989, respectively.

The resolution instructs the committees to submit their reconciliation recommendations to the Committee on the Budget not later than June 5, 1986. The Committee on the Budget will assemble the various recommendations into one omnibus reconciliation bill, without substantive revisions, and report the omnibus bill to the House.

The reconciliation instructions in the resolution assume some reductions in medicare outlays. It is the Committee's intention that none of the savings directed to be achieved in medicare shall come from provisions that increase costs to beneficiaries, including increases in premiums or reduced services provided to beneficiaries.

The instructions for medicare reductions assumed in the resolution are assigned only to the Energy and Commerce Committee. However, both the Energy and Commerce Committee and the Ways and Means Committee have overlapping jurisdiction of medicare Part B, and the resolution does not make assumptions regarding the division of medicare savings between Parts A and B of the program. The reconciliation instruction to the Ways and Means Committee does not specify a savings level for medicare or any other program, but may be met by either spending reductions, revenue increases, or any combination thereof. The Ways and Means Committee may, however, elect to achieve some of its reconciliation target through savings in medicare since the Committee does have jurisdiction over the program. Therefore, in determining whether the reconciliation instructions have been met by the Committee on

Energy and Commerce, the Budget Committee will examine the unduplicated reduction in medicare outlays included in the reconciliation recommendations of both committees, including the extent to which the Committee on Ways and Means meets its deficit reduction instruction through an increase in revenues or through reductions in spending programs.

RECONCILIATION SAVINGS

Reconciliation savings assumed in the resolution total $22.5 billion over three years. A breakdown of these savings follows:

RECONCILIATION TABLE

[In fiscal years and millions of dollars]

House committees	1987		1988		1989		3-year totals	
	BA	O	BA	O	BA	O	BA	O
Agriculture Committee:								
User fees for grain inspections, market news services and veterinary services	−55	−54	−56	−56	−56	−56	−167	−166
Forest Service receipts	−25	−25	−27	−27	−28	−28	−80	−80
Total Agriculture Committee	−80	−79	−83	−83	−84	−84	−247	−246
Banking, Finance and Urban Affairs Committee: Rural housing loan asset sales	642	−1,158	−0	−23	164	−46	806	−1,227
Total Banking Committee	642	−1,158	0	−23	164	−46	806	−1,227
Energy and Commerce Committee								
Full-cost recovery NRC user fees	−288	−288	−265	−265	−252	−252	−805	−805
FERC user fees	−31	−31	−56	−56	−56	−56	−143	−143
Sale of gaseous centrifuge plant and facilities in Portsmouth, OH	−50	−50	0	0	0	0	−50	−50
Medicare provider payment reforms	−350	−400	−350	−800	−350	−1,050	−1,050	−2,250
Oil overcharge funds	−1,994	−2,186	256	235	256	244	−1,482	−1,707
Total Energy and Commerce Committee	−2,713	−2,955	−415	−886	−402	−1,114	−3,530	−4,955
Education and Labor Committee:								
Guarantee Student Loans	−25	−25	−150	−135	−250	−235	−425	−395
Direct loan obligations		(...)		(−18)		(−97)		(−115)
Primary loan guarantees		(−235—		(−15)		(+55)		(−195)
Total Education and Labor Committee	−25	−25	−150	−135	−250	−235	−425	−395
Interior and Insular Affairs Committee:								
Full-cost recovery NRC user fees	−288	−288	−265	−265	−252	−252	−805	−805
Sale of gaseous centrifuge plant and facilities in Portsmouth, OH	−50	−50	0	0	0	0	−50	−50
Mineral leasing	−45	−45	−45	−45	−45	−45	−135	−135
Mineral management	−59	−59	−63	−63	−67	−67	−189	−189
Grazing fees	−6	−6	−10	−10	−10	−10	−26	−26
Total Interior Committee	−448	−448	−383	−383	−374	−374	−1,205	−1,205
Merchant Marines and Fisheries Committee:								
Sportfishing license fee	−20	−20	−30	−30	−50	−50	−100	−100
Coast Guard user fees	−150	−150	−150	−150	−150	−150	−450	−450
Total Merchant Marines Committee	−170	−170	−180	−180	−200	−200	−550	−550
Post Office and Civil Service Committee: Civil Service Supplemental Retirement System	950	−700	1,500	−950	850	−2,150	3,300	−3,800

RECONCILIATION TABLE—Continued

[In fiscal years and millions of dollars]

House committees	1987		1988		1989		3-year totals	
	BA	O	BA	O	BA	O	BA	O
Total Post Office Committee	950	−700	1,500	−950	850	−2,150	3,300	−3,800
Public Works and Transportation Committee:								
Highways—5 percent reduction in budget authority and obligation ceiling	−731	−112	−731	−453	−731	−486	−2,193	−1,051
Mass Transit—10 percent reduction in section 3 grants	−105	−7	−105	−26	−105	−58	−315	−91
Total Public Works Committee	−836	−119	−836	−479	−836	−544	−2,508	−1,142
Small Business Committee: SBA disaster loans assets	−438	−343	−399	−55	−223	−14	−1,060	−412
Total Small Business Committee	−438	−343	−399	−55	−223	−14	−1,060	−412
Science and Technology Committee: Sale of gaseous centrifuge plant and facilities in Portsmouth, Ohio	−50	−50	0	0	0	0	−50	−50
Total Science and Technology Committee	−50	−50	0	0	0	0	−50	−50
Ways and Means Committee: Total Ways and Means deficit reduction		−4,200		−3,695		−3,740		−11,635
Total, deficit reduction	−2,430	−9,459	−331	−5,804	−753	−7,199	−3,514	−22,462

The Committee is aware of the growing concern in both bodies that the reconciliation process allows extraneous matters to become part of reconciliation legislation. The Senate has recently adopted rules which bar extraneous matters in reconciliation legislation. This rule could also impact on the House since it would apply to a House-passed reconciliation bill and a reconciliation conference report.

The Committee believes that the House Committee on Rules is the appropriate forum for consideration of this issue and the various ways in which it could be addressed. One possible approach could be to develop procedural sanctions as part of House rules, such as a point of order against extraneous provisions contained in a reported reconciliation bill.

The Gramm-Rudman-Hollings sequestration procedure facing Congress this year demands prompt enactment of the deficit reduction provisions to be contained in the required reconciliation bill. Additionally, a point of order would apply against the July 4 adjournment resolution unless Congress has completed action on the reconciliation bill. Therefore, quick action by the Congress on reconciliation is even more essential this year than in past years.

B. Miscellaneous Provisions

Section 301(b)(4) of the Budget Act provides that the concurrent resolution on the budget may "set forth such other matters, and require such other procedures, relating to the budget, as may be appropriate to carry out the purposes" of the Budget Act. Consistent with that authority, and in order to fulfill the budget plan contained in the Committee resolution, the following sections are included in the resolution:

ESTABLISHMENT OF A DEFICIT REDUCTION ACCOUNT

Section 3 of the resolution would require that increases in revenue through legislation greater than certain amounts be deposited in a new separate account which the President is required to establish in the Treasury, to be used solely for the purpose of reducing the Federal deficit. The section requires these additional revenues to be set forth separately in the budget resolution with the stipulation that they are solely for the purpose of deficit reduction.

RESERVATION OF DEFENSE BUDGET AUTHORITY

Section 4 of the resolution reserves from allocation $3 billion in fiscal year 1987 budget authority for Function 050 (National Defense). Allocation of such budget authority by the Committees on the Budget to the Committees on Appropriations of each House is predicated upon receipt of a report to both Houses by the Secretary of Defense and the General Accounting Office accounting for all monies appropriated to the Department of Defense in fiscal year 1986 in excess of the amount needed to cover inflation. The resolution also calls for similar reports in fiscal years 1988 and 1989.

GNP DEFLATOR

Section 5 of the resolution instructs the House and Senate Armed Services Committees to report legislation prohibiting the Department of Defense from using an arbitrary deflator (one not based on historical or factual data) for major weapons systems which would provide funding for major weapons systems inflation in excess of the GNP deflator.

SHUTTLE ORBITER REPLACEMENT

Section 6 of the resolution provides that, notwithstanding the spending levels in the resolution, funding for a shuttle orbiter to replace NASA's Challenger would be appropriate if an authorization for such funding is enacted into law.

GENERAL REVENUE SHARING

Section 7 of the resolution provides that the spending levels in the resolution would not preclude funding for an extension of general revenue sharing through fiscal year 1989, if an authorization for the funding is enacted.

STRATEGIC PETROLEUM RESERVE

Section 8 of the resolution expresses the sense of the Congress reaffirming the policy to fill the Strategic Petroleum Reserve to 750 million barrels. The section also recommends that oil should be purchased for the Reserve in a way designed to help domestic stripper oil well producers minimize the shutting in of stripper production.

COOPERATIVE EXTENSION SERVICE

Section 9 of the resolution expresses the sense of the Congress that funding for the Department of Agriculture's Cooperative Extension Service should be maintained at a level sufficient to fully provide vital services to rural America during a time of extreme stress. The section further states the assumption that funding will be used to support programs such as 4-H Youth Development, Home Economics and Family Living, Natural Resources and Community Development, and services providing agricultural financial analysis and management instruction.

FOREIGN AGRICULTURAL INVESTMENT REFORM

Section 10 of the resolution expresses the sense of the Congress that United States financing for foreign production of agricultural commodities for export use is a counterproductive use of tax dollars and devastating to the American farmer who loses export markets from the unfairly subsidized competition.

C. ALLOCATIONS, SCOREKEEPING, AND ENFORCEMENT

Section 302(a) of the Budget Act provides that the Statement of Managers, accompanying a conference report on a budget resolution, shall allocate the appropriate amounts of spending contained in the resolution to the committees with jurisdiction over such spending. Section 301(e) requires those same allocations to be included in the committee's report accompanying a budget resolution. This latter requirement is new with the fiscal year 1987 budget resolution.

AMOUNTS ALLOCATED TO COMMITTEES

The method for allocating the budget resolution totals this year is similar to years past, with one exception. Credit authority (direct loan obligations and primary loan guarantee commitments) is allocated for the first time in fiscal year 1987. As in past years, budget authority, outlays, and entitlement authority are allocated. All permanent appropriations of budget authority and/or outlays are allocated to the committee that wrote the permanent law. All "current" appropriations—amounts to be provided by this year's appropriation bills—are allocated to the Appropriations Committee. Credit and entitlement authority are also allocated to committees. All amounts associated with an existing entitlement law are allocated to the authorizing committee that wrote the law. This is the case whether the entitlement is funded by permanent or current appropriations.

SEPARATION BETWEEN CURRENT LEVEL AND DISCRETIONARY ACTION

All amounts—budget authority, outlays, entitlement authority, and credit authority—are allocated in two separate components, "Current Level" and "Discretionary Action". Current level refers to existing permanents, entitlements, "prior-year" outlays from discretionary appropriations, and direct loans made as a result of defaults on loan guarantees. Discretionary action refers to all amounts assumed in the first budget resolution, but not yet enacted into law for "direct spending" legislation and for 1987 discretionary appropriations.

The term "discretionary action" corresponds to "new discretionary budget authority", new credit authority, and "new spending authority described in section 401(c)(2)(C)", i.e., new entitlement authority. There is only one target for discretionary action entitlement authority, applying to all entitlement legislation whether funded through federal, revolving, or trust funds. The discretionary action allocation of budget authority, outlays, entitlement authority, and credit authority would include any assumed legislative increase or decrease to existing permanent or entitlement law, and all new discretionary appropriations for fiscal year 1987. This category covers the spending and credit bills that Congress will consider this session.

SECTION 302(b) SUBDIVISIONS BY COMMITTEES

Section 302(b) of the Act provides that following adoption of the budget resolution conference report, each committee shall subdivide its section 302(a) allocation; the Appropriations Committee subdivides its amount among its 13 subcommittees, while other committees subdivide either by subcommittee or by program. The subdivisions of the allocated amounts that are filed by committees should also be separated into current level and discretionary action components, pursuant to section 302(b)(2)(B) of the Act.

These subdivisions become the official scorekeeping targets that the House uses in measuring spending bills. For this reason, it is required that each committee file its 302(b) subdivisions before it may bring spending or credit legislation to the floor.

SCOREKEEPING AND ENFORCEMENT

The discretionary action allocations (committee totals) provide the scorekeeping targets that apply to several provisions enforcing budget resolution assumptions: section 302(f) (prohibiting consideration of any measure which, if enacted, would breach a committee's 302(b) allocation), the section 311(b) exception (permitting consideration of a measure even if aggregate spending levels are breached so long as the committee of jurisdiction is within its 302(a) allocation), and section 401(b)(2) referral. Reported bills providing new entitlement authority in excess of discretionary action allocation subdivisions for entitlement authority are sequentially referred to the Appropriations Committee, pursuant to section 401(b)(2) of the Act. Section 401(d) exempts certain entitlement legislation from referral even if the discretionary action subdivision of entitlement authority is exceeded.

VII. BACKGROUND AND NATURE OF THE RESOLUTION

SUMMARY OF THE RESOLUTION

The resolution establishes aggregate targets for revenues, budget authority, outlays, deficit, public debt, and Federal credit activities, as well as functional category targets.

The resolution also includes reconciliation instructions to committees, a reservation from allocation of certain amounts of budget authority pending a report by the Secretary of Defense and the General Accounting Office, and miscellaneous measures.

Finally, pursuant to Rule XLIX of the House of Representatives adoption of the conference report will set into motion the process for determining the level of the public debt.

DEVELOPMENT OF THE RESOLUTION

The resolution was developed after extensive hearings by the full Committee and special task forces established to hear testimony from specific groups interested in the budget.

In February, the President submitted his economic report and budget proposals for fiscal year 1987. As required under the Budget Act, all House and joint committees submitted their reports commenting on the President's budget proposals and setting forth their views and estimates for appropriate levels of spending for programs within their jurisdictions. (For the full text of the reports, see House Budget Committee Print (CP-8.) The Committee also received reports from the Congressional Budget Office (on fiscal policy and national priorities) and the Joint Economic Committee (on recommendations as to the fiscal policies which would be appropriate to achieve the goals of the Employment Act of 1946).

The Committee also heard testimony from key economic and policy advisors in the Administration, including Treasury Secretary James Baker, Defense Secretary Caspar Weinberger, Health and Human Services Secretary Otis Bowen, and Office of Management and Budget Director James Miller.

In addition, testimony was received from Members of Congress, Federal Reserve Board Chairman Paul Volcker, Congressional Budget Office Director Rudolph Penner, as well as a number of distinguished economists and representatives from labor, business, and public interest groups.

The Committee also held regional hearings on the fiscal year 1987 budget in Chicago, Illinois; Lowell, Massachusetts; Tallahassee, Florida; Dallas, Texas; San Francisco, California; Helena, Montana; and Worthington, Minnesota.

PROVISIONS OF LAW RELATING TO THE RESOLUTION

The Balanced Budget and Emergency Deficit Control Act of 1985, P.L. 99-177 (commonly known as Gramm-Rudman-Hollings), modified the budget process and changed the content and impact of the budget resolution in various ways. The Act provides for one binding resolution on the budget for each fiscal year. The concurrent resolution must set forth the budget aggregates, functional categories, revenues, deficit, credit budget, and public debt.

The levels for fiscal year 1987 will become binding on Congress upon adoption by both bodies of the resolution. For the first time, the credit budget will be enforced at the committee level through the section 302(a) and 302(b) allocations. These changes and requirements are discussed in detail below.

CONTENT OF THE BUDGET RESOLUTION

Section 301(a) of the Congressional Budget Act requires that, on or before April 15 of each year, the Congress shall complete action on the budget resolution. That resolution establishes binding spending ceilings and revenue floors for Congress to follow during its subsequent consideration of spending and revenue legislation.

Section 301(a) provides:

SEC. 301. (a) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—On or before April 15 of each year, the Congress shall complete action on a concurrent resolution on the budget for the fiscal year beginning on October 1 of such year. The concurrent resolution shall set forth appropriate levels for the fiscal year beginning on October 1 of such year, and planning levels for each of the two ensuing fiscal years, for the following—

1. totals of new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments;
2. total Federal revenues and the amount, if any, by which the aggregate level of Federal revenues should be increased or decreased by bills and resolutions to be reported by the appropriate committees;
3. the surplus or deficit in the budget;
4. new budget authority, budget outlays, direct loan obligations, and primary loan guarantee commitments for each major functional category, based on allocations of the total levels set forth pursuant to paragraph (1); and
5. the public debt.

MAXIMUM DEFICIT AMOUNT MAY NOT BE EXCEEDED

Section 301(i) of the Budget Act, as amended, provides that neither the House of Representatives nor the Senate may consider a budget resolution, or an amendment to such resolution, if the level of total budget outlays exceeds the recommended level of Federal revenues for that year by an amount that is greater than the maximum deficit amounts set forth in Gramm-Rudman-Hollings. For purposes of this requirement the applicable maximum deficit amount is:

Fiscal Year 1987: $144 billion

This prohibition does not apply to the deficit levels for fiscal years 1988 and 1989 since the outyear spending and revenue levels in the resolution are for planning purposes only and not binding. However, the resolution would substantially meet these targets as well:

Fiscal Year 1988: $108.0 billion
Fiscal Year 1989: $72.0

SOCIAL SECURITY

Section 261 of Gramm-Rudman-Hollings provides that the receipts and disbursements of the Social Security trust funds shall not be included in the totals of the budget resolution. However, Gramm-Rudman-Hollings further provides that trust funds must be taken into account in a separate computation in order to calculate the deficit activities for purposes of comparison with the maximum deficit amount under Gramm-Rudman-Hollings and compliance with section 301(i) of the Budget Act, discussed above. Therefore, in compliance with Gramm-Rudman-Hollings and House rules, which require the budget resolution to be mathematically consistent, the budget resolution contains *two* deficit levels; one includes Social Security trust funds and one excludes the trust funds. Disbursements and receipts of the Social Security trust funds are not reflected elsewhere in the budget resolution.

FEDERAL CREDIT ACTIVITIES

The Congress has long been concerned about the impact of Federal Credit activities on financial markets, the economy, and the Federal budget. Beginning with the First Concurrent Resolution on the Budget for Fiscal Year 1983, Congress has included an advisory credit budget in the resolution. The advisory credit budget was included as being consistent with the Budget Act provision permitting inclusion of "such other matters relating to the budget as may be appropriate to carry out the purposes of this Act."

For the first time, in fiscal year 1987, the Budget Act, as amended, requires credit authority to be part of the budget resolution and set forth as a separate category. Consistent with that requirement the budget resolution includes aggregate and functional amounts of new direct loan obligations and new primary loan guarantee commitments which the Federal Government may incur or enter into during fiscal years 1987, 1988, and 1989.

TREATMENT OF OFF-BUDGET SPENDING

Section 406 of the Budget Act, as amended, provides that budget authority, credit authority, and estimates of outlays and receipts for activities of the Federal budget which were off-budget immediately prior to the date of enactment of Gramm-Rudman-Hollings, not including activities of the Federal Old Age and Survivors Insurance and Federal disability Insurance Trust Funds, shall be included in the President's budget and in a concurrent resolution on the budget and shall be considered budget authority, outlays, and spending authority. The committee resolution satisfies this requirement.

PUBLIC DEBT LIMIT

Rule XLIX of the House of Representatives set forth a procedure for increasing the level of the public debt. The rule blends the public debt limit increase into the congressional budget process which, by setting the budget totals, determines what amount of debt must be outstanding.

Upon final passage by both bodies of the concurrent resolution on the budget, the public debt level for fiscal year 1987 set forth in the resolution becomes the substance of a joint resolution, deemed passed by the House, and is sent to the Senate for its approval. If the Senate approves the joint resolution without amendment, the joint resolution is sent to the President for his signature. The public debt level in the joint resolution becomes effective upon signature by the President. (If the Senate amends the joint resolution, then it would return to the House for further action).

Pursuant to the rule, the text of the joint resolution would be as follows:

> That subsection (b) of section 3101 of title 31, United States Code, is amended by striking out the dollar limitation contained in such subsection and inserting in lieu thereof "$2,319,600,000,000".

Legislative jurisdiction over the public debt remains in the Committee on Ways and Means. The rule does not preclude that Commitee from originating public debt bills whenever necessary.

COMMITTEE ACTION ON THE BUDGET RESOLUTION

The Committee met to consider the resolution on May 8, 1986. The Committee ordered the resolution reported on May 8, 1986 by a vote of 21 ayes and 11 nays, a quorum being present.

VIII. SUMMARY TABLES

FUNCTIONAL ANALYSIS

[In billions of dollars]

	Committee recommendation May 8, 1986			President's February 5th budget			Committee recommendation over/under President		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Budget authority	1,086.35	1,159.65	1,205.35	1,102.00	1,165.95	1,218.05	−15.60	−6.40	−12.65
Outlays	994.25	1,047.05	1,076.15	994.00	1,026.75	1,063.60	0.30	20.30	12.50
Revenues	857.20	941.20	1,011.90	850.35	933.20	996.10	6.85	8.00	15.80
Deficit	137.05	105.85	64.25	143.65	93.55	67.50	−6.55	12.30	−3.30
Function									
050 National Defense:									
Budget authority	285.00	295.50	306.50	320.35	341.55	363.25	−35.35	−46.05	−56.75
Outlays	276.20	281.40	290.50	282.25	299.15	322.30	−6.05	−17.75	−31.80
150 Internaitonal Affairs:									
Budget authority	17.00	17.30	15.90	22.65	21.55	21.45	−5.65	−4.25	−5.55
Outlays	13.80	13.55	12.85	18.60	18.25	18.05	−4.80	−4.70	−5.20
250 General Science, Space and Technology:									
Budget authority	8.80	8.75	8.80	9.45	9.95	11.05	−0.65	−1.20	−2.25
Outlays	8.75	8.75	8.65	9.20	9.30	10.15	−0.45	−0.55	−1.50
270 Energy:									
Budget authority	4.90	4.65	4.80	4.35	5.35	4.80	0.55	−0.70	0.00
Outlays	4.85	4.15	3.75	4.00	4.50	3.95	0.85	−0.35	−0.20
300 Natural Resources and Environment:									
Budget authority	11.95	12.00	11.80	10.95	10.60	10.00	1.00	1.40	1.80
Outlays	12.25	12.15	12.20	11.95	11.80	11.65	0.30	0.35	0.55
350 Agriculture:									
Budget authority	23.80	26.00	25.30	19.60	22.25	22.55	4.20	3.75	2.75
Outlays	23.55	24.80	21.55	19.55	19.65	18.90	4.00	5.15	2.65
370 Commerce and Housing Credit:									
Budget authority	9.80	9.35	7.55	10.20	8.70	6.50	−0.40	0.65	1.05
Outlays	2.20	5.10	1.30	1.35	3.85	−0.50	0.85	1.25	1.80
400 Transportation:									
Budget authority	24.60	26.35	26.30	22.55	22.40	22.50	2.05	3.95	3.80
Outlays	25.50	26.45	26.35	25.50	24.10	23.40	0.00	2.35	2.95

VII. SUMMARY TABLES—Continued

[In billions of dollars]

	Committee recommendation May 8, 1986			President's February 5th budget			Committee recommendation over/under President		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
450 Community and regional development:									
Budget authority	6.30	6.45	6.50	3.80	4.95	4.85	2.50	1.50	1.65
Outlays	7.00	7.05	6.60	6.55	5.45	4.95	0.45	1.60	1.65
500 Education, training employment and social services:									
Budget authority	33.75	32.85	33.80	26.95	26.65	26.55	6.80	6.20	7.25
Outlays	30.60	32.30	33.10	27.45	26.30	26.45	3.15	6.00	6.65
550 Health:									
Budget authority	38.65	40.50	42.70	35.35	36.50	38.00	3.30	4.00	4.70
Outlays	38.35	40.70	42.80	35.00	36.65	37.95	3.35	4.05	4.85
570 Medicare:									
Budget authority	83.00	91.40	101.45	82.25	89.75	98.15	0.75	1.65	3.30
Outlays	73.40	81.85	91.35	70.25	76.05	83.00	3.15	5.80	8.35
600 Income security:									
Budget authority	165.25	172.90	176.50	153.30	163.35	166.05	11.95	9.55	10.45
Outlays	121.40	127.20	130.60	118.35	123.10	125.75	3.05	4.10	4.85
650 Social security:									
Budget authority	226.65	257.00	281.40	227.85	259.25	283.75	−1.20	−2.25	−2.35
Outlays	209.35	223.25	238.55	212.20	226.05	239.95	−2.85	−2.80	−1.40
700 Veterans benefits and services:									
Budget authority	27.05	27.45	27.30	26.70	27.30	27.50	0.35	0.15	−0.20
Outlays	26.70	27.05	26.90	26.40	26.90	26.90	0.30	0.15	0.00
750 Administration of justice:									
Budget authority	7.20	7.15	7.25	7.10	7.20	7.30	0.10	−0.05	−0.05
Outlays	7.15	7.25	7.35	6.95	7.00	7.05	0.20	0.25	0.30
800 General government:									
Budget authority	5.75	6.15	6.15	6.20	5.75	6.05	−0.45	0.40	0.10
Outlays	5.65	6.05	6.20	6.05	5.70	6.10	−0.40	0.35	0.10
850 General purpose fiscal assistance:									
Budget authority	1.85	1.90	2.00	1.75	1.85	1.90	0.10	0.05	0.10
Outlays	2.65	1.90	2.00	1.75	1.85	1.90	0.90	0.05	0.10
900 Net interest:									
Budget authority	143.50	151.50	148.95	148.00	145.10	136.05	−4.50	6.40	12.90

Outlays	143.50	151.50	148.95	148.00	145.10	136.05	–4.50	6.40	12.90
920 Allowances:									
Budget authority	0.55	1.60	2.65	0.75	2.40	3.55	–0.20	–0.80	–0.90
Outlays	0.60	1.70	2.85	0.75	2.35	3.50	–0.15	–0.65	–0.65
950 Undistributed offsetting receipts:									
Budget authority	–39.00	–37.10	–38.25	–38.15	–46.35	–43.80	–0.85	9.25	5.55
Outlays	–39.20	–37.10	–38.25	–38.15	–46.35	–43.80	–1.05	9.25	5.55

FUNCTIONAL ANALYSIS

[In billions of dollars]

	Committee recommendation (May 8, 1986)			President's budget reestimate (Feb. 27, 1986)			Committee recommendation over/under President's reestimate		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Budget authority	1,086.35	1,159.65	1,205.35	1,108.55	1,180.35	1,228.45	−22.00	−20.70	−23.10
Outlays	994.25	1,047.05	1,076.15	1,010.30	1,060.70	1,092.05	−15.95	−13.65	−15.90
Revenues	857.20	941.20	1,011.90	849.90	928.10	999.90	7.30	13.10	12.00
Deficit	137.05	105.85	64.25	160.40	132.60	92.15	−23.25	−26.75	27.90
Function									
050 National defense:									
Budget authority	285.00	295.50	306.50	320.35	341.55	363.25	−35.25	−45.80	−56.40
Outlays	276.20	281.40	290.50	296.70	316.65	336.05	−20.50	−35.25	−45.55
150 International affairs:									
Budget authority	17.00	17.30	15.90	23.70	23.20	21.90	−6.70	−5.90	−6.00
Outlays	13.80	13.55	12.85	16.50	17.50	17.65	−2.70	−3.95	−4.80
250 General science, space and technology:									
Budget authority	8.80	8.75	8.80	9.45	9.95	11.05	−0.65	−1.20	−2.25
Outlays	8.75	8.75	8.65	9.05	9.45	10.30	−0.30	−0.70	−1.65
270 Energy:									
Budget authority	4.90	4.65	4.80	3.75	4.95	4.50	1.15	−0.30	0.30
Outlays	4.85	4.15	3.75	4.35	4.10	3.45	0.50	0.05	0.30
300 Natural resources and environment:									
Budget authority	11.95	12.00	11.80	11.00	10.60	10.00	0.95	1.40	1.80
Outlays	12.25	12.15	12.20	12.05	11.90	11.75	0.20	0.25	0.45
350 Agriculture:									
Budget authority	23.80	26.00	25.30	23.15	25.40	23.60	0.65	0.60	1.70
Outlays	23.55	24.80	21.55	22.40	24.00	19.80	1.15	0.80	1.75
370 Commerce and housing credit:									
Budget authority	9.80	9.35	7.55	11.15	9.25	5.90	−1.35	0.10	1.65
Outlays	2.20	5.10	1.30	3.00	4.10	−1.15	−0.80	1.00	2.45
400 Transportation:									
Budget authority	24.60	26.35	26.30	22.90	22.75	22.65	1.70	3.60	3.65
Outlays	25.50	26.45	26.35	25.60	24.40	23.95	−0.10	2.05	2.40
450 Community and regional development:									
Budget authority	6.30	6.45	6.50	3.75	5.00	4.75	2.55	1.45	1.75

Outlays	7.00	7.05	6.60	6.25	5.45	4.85	0.75	1.60	1.75
500 Education, training, employment and social services:									
Budget authority	33.75	32.85	33.80	27.15	26.70	26.05	6.60	6.15	7.75
Outlays	30.60	32.30	33.10	27.45	26.40	25.95	3.15	5.90	7.15
550 Health:									
Budget authority	38.65	40.50	42.70	35.40	36.70	38.35	3.25	3.80	4.35
Outlays	38.35	40.70	42.80	35.05	36.85	38.30	3.30	3.85	4.50
570 Medicare:									
Budget authority	83.00	91.40	101.45	82.05	89.60	98.40	0.95	1.80	3.05
Outlays	73.40	81.85	91.35	70.60	76.85	84.45	2.80	5.00	6.90
600 Income security:									
Budget authority	165.25	172.90	176.50	157.25	164.25	167.85	8.00	8.65	8.65
Outlays	121.40	127.20	130.60	119.45	123.55	126.85	1.95	3.65	3.65
650 Social security:									
Budget authority	226.65	257.00	281.40	226.95	257.00	281.90	−0.30	0.00	−0.50
Outlays	209.35	223.25	238.55	211.65	226.20	241.50	−2.30	−2.95	−2.95
700 Veterans benefits and services:									
Budget authority	27.05	27.45	27.30	26.70	27.35	27.30	0.35	0.10	0.00
Outlays	26.70	27.05	26.90	26.45	26.85	26.70	0.25	0.20	0.20
750 Administration of justice:									
Budget authority	7.20	7.15	7.25	7.10	7.20	7.30	0.10	−0.05	−0.05
Outlays	7.15	7.25	7.35	7.05	7.20	7.30	0.10	0.05	0.05
800 General government:									
Budget authority	5.75	6.15	6.15	6.25	6.40	6.40	−0.50	−0.25	−0.25
Outlays	5.65	6.05	6.20	6.15	6.35	6.45	−0.50	−0.30	−0.25
850 General purpose fiscal assistance:									
Budget authority	1.85	1.90	2.00	1.75	1.85	1.90	0.10	0.05	0.10
Outlays	2.65	1.90	2.00	1.75	1.85	1.90	0.90	0.05	0.10
900 Net interest:									
Budget authority	143.50	151.50	148.95	144.80	152.85	153.40	−1.30	−1.35	−4.45
Outlays	143.50	151.50	148.95	144.80	152.85	153.40	−1.30	−1.35	−4.45
920 Allowances:									
Budget authority	0.55	1.60	2.65	0.70	2.20	3.25	−0.15	−0.60	−0.60
Outlays	0.60	1.70	2.85	0.75	2.35	3.50	−0.15	−0.65	−0.65
950 Undistributed offsetting receipts:									
Budget authority	−39.00	−37.10	−38.25	−36.85	−44.15	−50.90	−2.15	7.05	12.65
Outlays	−39.20	−37.10	−38.25	−36.85	−44.15	−50.90	−2.35	7.05	12.65

FUNCTIONAL ANALYSIS

[In billions of dollars]

	Committee recommendation May 5, 1986			Adjusted CBC baseline			Committee recommendation over/under adjusted CBO baseline		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Budget authority	1,086.35	1,159.65	1,205.35	1,119.30	1,201.15	1,265.05	−32.95	−41.50	−59.70
Outlays	994.25	1,047.05	1,076.15	1,021.00	1,084.80	1,130.65	−26.75	−37.75	−54.50
Revenues	857.20	941.20	1,011.90	846.50	923.80	994.20	10.70	17.40	17.70
Deficit	137.05	105.85	64.25	174.50	161.00	136.45	−37.45	−55.15	−72.20
Function									
050 National Defense:									
Budget authority	285.00	295.50	306.50	300.85	314.65	329.40	−15.85	−19.15	−22.90
Outlays	276.20	281.40	290.50	284.00	296.30	310.80	−7.80	−14.90	−20.30
150 International Affairs:									
Budget authority	17.00	17.30	15.90	20.20	20.80	20.35	−3.20	−3.50	−4.45
Outlays	13.80	13.55	12.85	15.30	15.80	15.85	−1.50	−2.25	−3.00
250 General Science, Space and Technology:									
Budget authority	8.80	8.75	8.80	9.30	9.70	10.20	−0.50	−0.95	−1.40
Outlays	8.75	8.75	8.65	9.05	9.45	9.85	−0.30	−0.70	−1.20
270 Energy:									
Budget authority	4.90	4.65	4.80	6.15	5.60	5.90	−1.25	−0.95	−1.10
Outlays	4.85	4.15	3.75	5.30	5.25	5.10	−0.45	−1.10	−1.35
300 Natural Resources and Environment:									
Budget authority	11.95	12.00	11.80	12.95	13.30	13.70	−1.00	−1.30	−1.90
Outlays	12.25	12.15	12.20	13.05	13.10	13.50	−0.80	−0.95	−1.30
350 Agriculture:									
Budget authority	23.80	26.00	25.30	23.80	26.10	25.45		−0.10	−0.15
Outlays	23.55	24.80	21.55	23.55	24.85	21.70		−0.05	−0.15
370 Commerce and Housing Credit:									
Budget authority	9.80	9.35	7.55	9.65	10.05	8.65	0.15	−0.70	−1.10
Outlays	2.20	5.10	1.30	3.75	5.65	2.40	−1.55	−0.55	−1.10
400 Transportation:									
Budget authority	24.60	26.35	26.30	29.10	29.75	30.55	−4.50	−3.40	−4.25
Outlays	25.50	26.45	26.35	28.00	28.10	28.95	−2.50	−1.65	−2.60
450 Community and regional development:									
Budget authority	6.30	6.45	6.50	7.30	7.85	7.95	−1.00	−1.40	−1.45

Outlays	7.00	7.05	6.60	7.50	7.45	7.25	−0.50	−0.40	−0.65
500 Education, training employment and social services:									
Budget authority	33.75	32.85	33.80	32.00	33.30	34.75	1.75	−0.45	−0.95
Outlays	30.60	32.30	33.10	30.95	32.15	33.45	−0.35	0.15	−0.35
550 Health:									
Budget authority	38.65	40.50	42.70	38.45	41.05	43.65	0.20	−0.55	−0.95
Outlays	38.35	40.70	42.80	38.30	40.90	43.25	0.05	−0.20	−0.45
570 Medicare:									
Budget authority	83.00	91.40	101.45	83.35	91.75	101.80	−0.35	−0.35	−0.35
Outlays	73.40	81.85	91.35	73.70	82.40	92.25	−0.30	−0.55	−0.90
600 Income security:									
Budget authority	165.25	172.90	176.50	164.35	172.05	176.90	0.90	0.85	−0.40
Outlays	121.40	127.20	130.60	122.60	128.90	133.55	−1.20	−1.70	−2.95
650 Social security:									
Budget authority	226.65	257.00	281.40	226.60	256.75	280.85	0.05	0.25	0.55
Outlays	209.35	223.25	238.55	211.55	226.30	241.70	2.20	−3.05	−3.15
700 Veterans benefits and services:									
Budget authority	27.05	27.45	27.30	27.25	27.85	28.05	−0.20	−0.40	−0.75
Outlays	26.70	27.05	26.90	26.70	27.35	27.65		−0.30	−0.75
750 Administration of justice:									
Budget authority	7.20	7.15	7.25	6.95	7.10	7.20	0.25	0.05	0.05
Outlays	7.,15	7.25	7.35	7.00	7.15	7.25	0.15	0.10	0.10
800 General government:									
Budget authority	5.75	6.15	6.15	5.55	5.70	5.60	0.20	0.45	0.55
Outlays	5.65	6.05	6.20	5.50	5.70	5.70	0.15	0.35	0.50
850 General purpose fiscal assistance:									
Budget authority	1.85	1.90	2.00	6.55	6.60	6.65	−4.70	−4.70	−4.65
Outlays	2.65	1.90	2.00	6.20	6.60	6.65	−3.55	−4.70	−4.65
900 Net interest:									
Budget authority	143.50	151.50	148.95	145.20	156.55	158.70	−1.70	−5.05	−9.75
Outlays	143.56	151.50	148.95	145.20	156.55	158.70	−1.70	−5.05	−9.75
920 Allowances:									
Budget authority	0.55	1.60	2.65	1.05	3.00	5.15	−0.50	−1.40	−2.50
Outlays	0.60	1.70	2.85	1.10	3.20	5.50	−0.50	−1.50	−2.65
950 Undistributed offsetting receipts:									
Budget authority	−39.00	−37.10	−36.25	−37.30	−38.35	−40.40	−1.70	1.25	2.15
Outlays	−39.20	−27.10	−38.25	−37.30	−38.35	−40.40	−1.90	1.25	2.15

FUNCTIONAL ANALYSIS

[In billions of dollars]

	Committee recommendation on budget only			Committee recommendation total budget			On budget only over/under total budget		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
Budget authority	873.00	918.95	944.05	1,086.35	1,159.65	1,205.35	−213.35	−240.70	−261.30
Outlays	798.20	840.15	857.65	994.25	1,047.05	1,076.15	−196.05	−206.90	−218.50
Revenues	643.85	700.55	750.75	857.20	941.20	1,011.90	−213.35	−240.65	−261.15
Deficit	154.35	139.60	106.90	137.05	105.85	64.25	17.30	33.75	42.65
Function									
050 National defense:									
Budget authority	285.00	295.50	306.50	285.00	295.50	306.50	0.00	0.00	0.00
Outlays	276.20	281.40	290.50	276.20	281.40	290.50	0.00	0.00	0.00
150 International affairs:									
Budget authority	17.00	17.30	15.90	17.00	17.30	15.90	0.00	0.00	0.00
Outlays	13.80	13.55	12.85	13.80	13.55	12.85	0.00	0.00	0.00
250 General science, space and technology:									
Budget authority	8.80	8.75	8.80	8.80	8.75	8.80	0.00	0.00	0.00
Outlays	8.75	8.75	8.65	8.75	8.75	8.65	0.00	0.00	0.00
270 Energy:									
Budget authority	4.90	4.65	4.80	4.90	4.65	4.80	0.00	0.00	0.00
Outlays	4.85	4.15	3.75	4.85	4.15	3.75	0.00	0.00	0.00
300 Natural resources and environment:									
Budget authority	11.95	12.00	11.80	11.95	12.00	11.80	0.00	0.00	0.00
Outlays	12.25	12.15	12.20	12.25	12.15	12.20	0.00	0.00	0.00
350 Agriculture:									
Budget authority	23.80	26.00	25.30	23,80	26.00	25.30	0.00	0.00	0.00
370 Commerce and housing credit:									
Budget authority	9.80	9.35	7.55	9.80	9.35	7.55	0.00	0.00	0.00
Outlays	2.20	5.10	1.30	2.20	5.10	1.30	0.00	0.00	0.00
400 Transportation:									
Budget authority	24.60	26.35	26.30	24.60	26.35	26.30	0.00	0.00	0.00
Outlays	25.50	26.45	26.35	25.50	26.45	26.35	0.00	0.00	0.00
450 Community and regional development:									
Budget authority	6.30	6.45	6.50	6.30	6.45	6.50	0.00	0.00	0.00
Outlays	7.00	7.05	6.60	7.00	7.05	6.60	0.00	0.00	0.00

500 Education, training, employment and social services:									
Budget authority	33.75	32.85	33.80	33.75	32.85	33.80	0.00	0.00	0.00
Outlays	30.60	32.30	33.10	30.60	32.30	33.10	0.00	0.00	0.00
550 Health:									
Budget authority	38.65	40.50	42.70	38.65	40.50	42.70	0.00	0.00	0.00
Outlays	38.35	40.70	42.80	38.35	40.70	42.80	0.00	0.00	0.00
570 Medicare:									
Budget authority	83.00	91.40	101.45	83.00	91.40	101.45	0.00	0.00	0.00
Outlays	73.40	81.85	91.35	73.40	81.85	91.35	0.00	0.00	0.00
600 Income security:									
Budget authority	165.25	172.90	176.50	165.25	172.90	176.50	0.00	0.00	0.00
Outlays	121.40	127.20	130.60	121.40	127.20	130.60	0.00	0.00	0.00
650 Social security:									
Budget authority	5.50	6.15	6.90	226.65	257.00	281.40	−221.15	−250.85	−274.50
Outlays	5.50	6.20	6.85	209.35	223.25	238.55	−203.85	−217.05	−231.70
700 Veterans benefits and services:									
Budget authority	27.05	27.45	27.30	27.05	27.45	27.30	0.00	0.00	0.00
Outlays	26.70	27.05	26.90	26.70	27.05	26.90	0.00	0.00	0.00
750 Administration of justice:									
Budget authority	7.20	7.15	7.25	7.20	7.15	7.25	0.00	0.00	0.00
Outlays	7.15	7.25	7.35	7.15	7.25	7.35	0.00	0.00	0.00
800 General government:									
Budget authority	5.75	6.15	6.15	5.75	6.15	6.15	0.00	0.00	0.00
Outlays	5.65	6.05	6.20	5.65	6.05	6.20	0.00	0.00	0.00
850 General purpose fiscal assistance:									
Budget authority	1.85	1.90	2.00	1.85	1.90	2.00	0.00	0.00	0.00
Outlays	2.65	1.90	2.00	2.65	1.90	2.00	0.00	0.00	0.00
900 Net interest:									
Budget authority	148.15	157.95	158.05	143.50	151.50	148.95	4.65	6.45	9.10
Outlays	148.15	157.95	158.05	143.50	151.50	148.95	4.65	6.45	9.10
920 Allowances:									
Budget authority	0.55	1.60	2.65	0.55	1.60	2.65	0.00	0.00	0.00
Outlays	0.60	1.70	2.85	0.60	1.70	2.85	0.00	0.00	0.00
950 Undistributed offsetting receipts:									
Budget authority	−35.85	−33.40	−34.15	−39.00	−37.10	−38.25	3.15	3.70	4.10
Outlays	−36.05	−33.40	−34.15	−39.20	−37.10	−38.25	3.15	3.70	4.10

CREDIT BUDGET, FUNCTIONAL ANALYSIS

[In billions of dollars]

	Committee's recommendation (May 8, 1986)			Baseline			Committee's recommendation over/under baseline		
	1987	1988	1989	1987	1988	1989	1987	1988	1989
New direct loans	34.25	32.25	30.60	36.35	34.90	33.95	−2.10	−2.65	−3.35
Primary loan guarantees	85.40	87.30	87.65	89.05	92.90	95.40	−3.65	−5.60	−7.75
Function									
050 National defense:									
Direct loans									
Loan guarantees									
150 International affairs:									
Direct loans	7.15	7.10	7.10	8.80	9.00	9.30	−1.65	−1.90	−2.20
Loan guarantees	11.40	11.40	11.40	12.25	12.75	13.25	−0.85	−1.35	−1.85
250 General science, space and technology:									
Direct loans									
Loan guarantees									
270 Energy:									
Direct loans	1.95	1.95	1.95	2.10	2.15	2.25	−0.15	−0.20	−0.30
Loan guarantees									
300 Natural resources and environment:									
Direct loans	0.10	0.10	0.05	0.10	0.10	0.10			−0.05
Loan guarantees									
350 Agriculture:									
Direct loans	14.30	12.10	11.35	14.30	12.10	11.35			
Loan guarantees	8.00	8.50	8.65	8.00	8.50	8.65			
370 Commerce and housing credit:									
Direct loans	4.45	4.60	4.85	4.65	4.95	5.35	−0.20	−0.35	−0.50
Loan guarantees	38.75	39.10	38.45	41.30	43.35	44.40	−2.55	−4.25	−5.95
400 Transportation:									
Direct loans	0.50	0.40	0.20	0.50	0.40	0.20			
Loan guarantees	0.05	0.05	0.05	0.05	0.05	0.05			
450 Community and regional development:									
Direct loans	0.95	1.20	1.05	1.05	1.35	1.20	−0.10	−0.15	−0.15
Loan guarantees	0.30	0.30	0.30	0.30	0.30	0.30			

500 Education, training, employment and social services:									
Direct loans	1.50	1.40	1.25	1.50	1.45	1.40		−0.05	−0.15
Loan guarantees	10.30	10.70	10.95	10.55	10.70	10.90	−0.25		0.05
550 Health:									
Direct loans			0.05			0.05			
Loan guarantees	0.30	0.30	0.30	0.30	0.30	0.30			
570 Medicare:									
Direct loans									
Loan guarantees									
600 Income security:									
Direct loans	1.80	1.90	1.45	1.80	1.90	1.45			
Loan guarantees									
650 Social security:									
Direct loans									
Loan guarantees									
700 Veterans benefits and services									
Direct loans	1.55	1.50	1.30	1.55	1.50	1.30			
Loan guarantees	16.30	16.95	17.55	16.30	16.95	17.55			
750 Administration of justice:									
Direct loans									
Loan guarantees									
800 General government:									
Direct loans									
Loan guarantees									
850 General purpose fiscal assistance:									
Direct loans									
Loan guarantees									
900 Net interest:									
Direct loans									
Loan guarantees									
920 Allowances:									
Direct loans									
Loan guarantees									
950 Undistributed offsetting receipts:									
Direct loans									
Loan guarantees									

IX. APPENDICES

APPENDIX A—DESCRIPTION OF FUNCTIONS

Function 050: National Defense

051: Department of Defense—Military
053: Atomic Energy Defense Activities
054: Defense-Related Activities

Description of Function:

Funds in this function are provided to develop, maintain and equip the military forces of the United States, and to finance defense-related activities of the Department of Energy. Major areas of funding include pay and benefits for military and civilian personnel including an accrual charge for the costs of future military retirement benefits; research, development, testing, and evaluation; procurement of weapons systems and supporting equipment; military construction including family housing; and operations and maintenance of the defense establishment. Funding is also provided for the development and procurement of nuclear weapons and naval reactors.

Major Federal Programs in This Function:

Deparmtment of Defense—Military
Atomic Energy Defense Activities
Defense-Related Activities

Major Federal Departments and Agencies in This Function:

Department of Defense
Department of Energy
(Nuclear Weapons and Naval Reactors)

Function 150: International Affairs

151: International Development and Humanitarian Assistance
152: International Security Assistance
153: Conduct of Foreign Officers
154: Foreign Information and Exchange Activities
155: International Financial Programs

Description of Function:

Funds in this function are provided to finance the foreign affairs establishment including embassies and other diplomatic missions abroad; sale of U.S. commodities under the Food for Peace programs; foreign aid loan and technical assistance activities in the less developed countries; security assistance to foreign governments; foreign military sales made through the Foreign Military

Sales Trust fund, U.S. contributions to the international financial institutions, Export-Import Bank activities, and refugees assistance.

Major Federal Programs in This Function:

Foreign Affairs
Foreign Aid
Food for Peace
Security Assistance
Foreign Military Sales
Export Promotion
U.S. Contributions to International Financial Institutions
Refugee Assistance

Major Federal Departments and Agencies in This Function:

Department of State
Department of Defense
Department of Treasury
Department of Agriculture
Agency for International Development
United States Information Agency
Export-Import Bank

Function 250: General Science, Space and Technology

251: General Science and Basic Research
253: Space Flight
254: Space, Science, Applications, and Technology
255: Supporting Space Activities

Description of Function:

This function includes space research and technology, general science, and basic research not specifically covered by other functional areas. The programs in this function are the primary source of funding for the physical and engineering sciences. The budgets for the National Science Foundation (NSF), the high energy physics and nuclear physics research programs of the Department of Energy (DOE), and the National Aeronautics and Space Administration (NASA)—except for its air transportation programs in Function 400: Transportation—are within this category.

Major Federal Programs in This Function:

General Science and Basic Research
Space Flight, Research, Technology and Application

Major Federal Departments and Agencies in This Function:

National Aeronautics and Space Administration (NASA)
National Science Foundation (NSF)
Department of Energy (high energy physics and nuclear physics programs)

Function 270: Energy

271: Energy Supply
272: Energy Conservation
274: Emergency Energy Preparedness

274: Energy Information, Policy, and Regulation

Description of Function:

This function represents a consolidation of nearly all Federal energy and energy-related programs.

Major Federal Programs in This Function:

Energy Supply
Energy Research, Development and Demonstration
DOE Uranium Enrichment Program
Energy Conservation
Strategic Petroleum Reserve
Nuclear Regulation
TVA Power Program
DOE Power Marketing Administrations

Major Federal Departments and Agencies in This Function:

Department of Energy
Nuclear Regulatory Commission
Tennessee Valley Authority

Function 300: Natural Resources and Environment

301: Water Resources
302: Conservation and Land Management
303: Recreational Resources
304: Pollution Control and Abatement
306: Other Natural Resources

Description of Function:

Programs in this function are primarily designed to develop, manage, and maintain the Nation's natural resources and protect public health by ensuring a clean environment.

Major Federal Programs in This Function:

Conservation, Forestry, and Land Management Programs
Water Resources Program
Sewage Treatment Plant Construction Grant Program
Protection of the Environment
Development, Regulation, and Conservation of Minerals
Management and Preservation of the Public Lands
Weather and Oceanic Research and Information Programs

Major Federal Departments and Agencies in This Function:

Department of the Interior
Department of Agriculture
Army Corps of Engineers
Environmental Protection Agency
National Oceanic and Atmospheric Administration

Function 350: Agriculture

351: Farm Income Stabilization
352: Agricultural Research and Services

Description of Function:

Federal agricultural programs are intended to limit economic harm to farmers from price fluctuations and natural disasters, to help maintain farm income, and to help insure that a plentiful, high quality supply of food and fiber is available in the United States. Other programs in this function are designed to provide market information and services and to support agriculture research. Food producers are assisted through deficiency payments, disaster payments, product insurance, and nonrecourse loans. Market information and services include animal and plant disease prevention, distribution of market information, and farm export promotion. Research includes Federal biological research as well as grants for State-administered research.

Major Federal Programs in This Function:

Price Support and Related Programs (Commodity Credit Corporation)
FmHA Farm Loans
Federal Crop Insurance
Research Programs
Extension Service
Consumer Protection and Regulatory Programs
Marketing Service
Foreign Agricultural Service

Major Federal Departments and Agencies in This Function:

Department of Agriculture

Function 370: Commerce and Housing Credit

371: Mortgage Credit and Deposit Insurance
372: Postal Service
376: Other Advancement of Commerce

Description of Function:

This function, which is highly volatile from year to year because of changing economic conditions and transactions like mortgage asset sales, provides support to mortgage credit markets, deposit insurance, the Postal Service, and other forms of commerce, including small business.

Major Federal Programs in This Function:

Mortgage Insurance Programs
Rural Housing Loans
Loans and Financing to Support Subsidized Housing
Subsidy Payment to the Postal Service
Small Business Loans
Thrift and Deposit Insurance
Regulatory Activities

Major Federal Departments and Agencies in This Function:

Department of Housing and Urban Development: FHA and GNMA
Department of Agriculture: FmHA

Department of Commerce
Postal Service
Small Business Administration
Regulatory Agencies
Federal Deposit Insurance Corporation
Federal Home Loan Bank Board
Federal Savings and Loan Insurance Corporation

Function 400: Transportation

401: Ground Transportation
402: Air Transportation
403: Water Transportation
407: Other Transportation

Description of Function:

This function provides assistance for transportation activities including ground (highway, railroads, and mass transportation), air and water transportation programs. The transportation activities include major grant-in-aid programs to support State and local activities.

Major Federal Programs in This Function:

Highway and Bridge Construction, Repair, and Safety
Mass Transit
Railroad Assistance
Airways and Airports
Maritime Subsidies
Coast Guard

Major Federal Departments and Agencies in This Function:

Department of Transportation
NASA: Aeronautical Research and Development

Function 450: Community and Regional Development

451: Community Development
452: Area and Regional Development
453: Disaster Relief and Insurance

Description of Function:

This function provides for urban and rural economic assistance, area and regional development programs and disaster assistance programs. Community development block grants account for about forty percent of the outlays in this function. The balance is made up of a wide variety of urban and rural development, Indian assistance, and other grant and loan assistance programs.

Major Federal Programs in This Function:

Community Development Block Grants
Urban Development Action Grants
Rental Development Grants
Rural Development Assistance
Economic Development Assistance
Appalachian Regional Commission

Tennessee Valley Authority Programs
Indian Assistance Programs
Disaster Relief and Disaster Loans
Flood Insurance

Major Federal Department and Agencies in This Function:

Department of Housing Urban Development
Department of Agriculture: Farmers Home Loan Administration
Department of Commerce: Economic Development Administration
Department of Interior: Bureau of Indian Affairs
Small Business Administration

Function 500: Education, Training, Employment, and Social Services

501: Elementary, Secondary, and Vocational Education
502: Higher Education
503: Research and General Education Aids
504: Training and Employment
505: Other Labor Services
506: Social Services

Description of Function:

This function includes programs designed to promote the general extension of knowledge and skills and to assist individuals to become self-supporting members of society: child development, elementary, secondary, vocational, and higher education programs; employment and training programs; and grants to States for general social services and rehabilitation services. Funds in this function may be made available as income support directly related to training or education; cash payments (scholarship, loans or stipends) to persons to enable them to participate in education or training programs; grants to States, local governments, Indian tribes, or public and private institutions to operate local educational, employment, training, and/or social service programs; and direct research and departmental management expenditures.

Major Federal Programs in This Function:

Elementary and Secondary Education (ESEA)
Occupational, Vocational and Adult Education
Higher Education Student Assistance
Higher and Continuing Education
Job Training Partnership Act (JTPA)
Grants to States for Social and Child Welfare Services
Human Development Services
National Endowment for the Arts
National Endowment for the Humanities

Major Federal Departments and Agencies in This Function:

Department of Education
Department of Health and Human Services
Department of Labor
Department of Interior

ACTION, and Various Other Independent Agencies

Function 550: Health

551: Health Care Services
552: Health Research
553: Education and Training of Health Care Work Force
554: Consumer and Occupational Health and Safety

Description of Function:

The major purpose of programs in this function is to promote the physical and mental health of the population. Programs include financing of health care for certain population groups such as American Indians, low-income Americans, and migrants, as well as grants to States, localities, and community groups to support health services programs. The function also includes research into the causes and cures of diseases; promotion of consumer and occupational health and safety; training support for health workers and researchers; and food, drug, and other product safety and inspection programs.

Major Federal Programs in This Function:

Grants to States for Medical Assistance (Medicaid)
Block Grants to States
National Institutes of Health (NIH) Research
Alcohol, Drug Abuse and Mental Health Research and Training
Health Professions Education and Training Programs
Occupational Health and Safety Administration (OSHA) Programs
Food and Drug Administration (FDA) Programs

Major Federal Departments and Agencies in This Function

Department of Health and Human Services
Department of Labor
Office of Personnel Management
Department of Agriculture: Food Safety and Inspection Service

Function 570: Medicare

572: Medicare

Description of Function:

The major purpose of the programs in this function is to provide health benefits to one in every six aged and disabled American.

Major Federal Programs in This Function:

Hospital Insurance Trust Fund
Supplementary Medical Insurance Trust Fund

Major Federal Departments and Agencies in This Function:

Department of Health and Human Services
- Health Care Financing Administration

Function 600: Income Security

601: General Retirement and Disability Insurance (excluding Social Security)
602: Federal Employee Retirement and Disability
603: Unemployment Compensation
604: Housing Assistance
605: Food and Nutrition Assistance
606: Other Income Security

Description of Function:

Programs in this function help meet the needs of individuals by insuring against loss of income resulting from retirement, disability, death, or unemployment of a wage earner, and by assisting those who are unable to provide for themselves. This function includes retirement and disability programs for Federal civilian workers and military personnel, railroad employees, and coal miners. This function also includes programs for unemployment compensation, food and nutrition assistance, housing assistance, and other income security.

Major Federal Programs in This Function:

Railroad Retirement
Special Benefit for Disabled Coal Miners
Federal Civilian and Military Retirement
Federal Employee Disability
Unemployment Compensation
Supplementary Security Income (SSI)
Grants to States for Assistance Payments (Primarily AFDC)
Housing Assistance
Food Stamps
Child Nutrition
Child Support Enforcement
Special Supplemental Food (WIC)
Refugee Assistance
Low-Income Energy Assistance
Earned Income Tax Credit

Major Federal Departments and Agencies in This Function:

Office of Personnel Management
Department of Agriculture: Food and Nutrition Service
Department of Health and Human Services
Department of Housing and Urban Development
Department of Labor
Railroad Retirement Board
Department of State

Function 650: Social Security

651: Social Security

Description of Function:

The major purpose of the programs in this function is to provide income security to one in every six aged and disabled Americans.

Major Federal Programs in This Function:

Old Age and Survivors' Insurance Trust Fund
Disability Insurance Trust Fund

Major Federal Departments and Agencies in This Function:

Department of Health and Human Services
- Social Security Administration

Function 700: Veterans Benefits and Services

701: Income Security for Veterans
702: Veterans Education, Training, and Rehabilitation
703: Hospital and Medical Care for Veterans
704: Veterans Housing
705: Others Veterans Benefits and Services

Description of Function:

Most programs in this function are administerd by the Veterans Administration in support of former members of the armed services and their survivors and dependents. Over half of the outlays in this function are for income security programs: compensation, pensions, and life insurance, and slightly more than one-third of the outlays are targeted at hospital and medical care for veterans. Veterans education, training, rehabilitation, housing and other benefits comprise the remainder. Nearly the entire function requires current action by Congress, yet most of these outlays are virtually uncontrollable because of the entitlement nature of the major programs.

Major Federal Programs in This Function:

Veterans Disability Compensation
Veterans Pensions
Veterans Education and Training (GI Bill)
Veterans Hospital and Medical Care
Veterans Guaranteed Housing Loans
Veterans Life Insurance

Major Federal Department and Agencies in This Function:

Veterans Administration

Function 750: Administration of Justice

751: Federal Law Enforcement Activities
752: Federal Litigative and Judicial Activities
753: Federal Correctional Activities
754: Criminal Justice Assistance

Description of Function:

The function includes law enforcement operations of the Federal Bureau of Investigation, Customs Service, Immigration and Naturalization Service, the Drug Enforcement Administration, and other agencies which together constitute slightly more than half of the total outlays in this function. Approximately one-third of the total outlays is used by Federal litigative and judicial activities. The balance of outlays, 11 percent, is used for criminal justice assistance and correctional activities.

Major Federal Program in This Function:

Alcohol, Tobacco, and Firearms Investigation (ATF)
Federal Bureau of Investigation (FBI)
Drug Enforcement Assistance (DEA)
Immigration and Naturalization Service (INS)
Legal Services Corporation
U.S. Customs Service
U.S. Prisons
Federal Judiciary System
Law Enforcement Assistance
Juvenile Delinquency Prevention
Secret Service

Major Federal Departments and Agencies in This Function:

Department of Justice
Department of Treasury
Legal Services Corporation

Function 800: General Government

801: Legislative Functions
802: Executive Direction and Management
803: Central Fiscal Operations
804: General Property and Records Management
805: Central Personnel Management
806: Other General Government
809: Deductions for Offsetting Receipts

Description of Function:

This function covers the general overhead costs of the Federal Government. By far the largest proportion of new budget authority and outlays are attributable to operations of the Treasury Department (including the Internal Revenues Service). The balance is distributed among a large number of relatively small accounts. The Legislative Branch accounts for about one-fifth of the net total.

Major Federal Programs in This Function:

Legislative Branch Activities
Income-Tax Administration
Federal Buildings Fund

Major Federal Departments and Agencies in This Function:

Congress and its Agencies
Executive Office of the President
Department of Treasury
General Services Administration
Office of Personnel Management
Department of Interior: Office of Territories

Function 850: General Purpose Fiscal Assistance

851: General Revenue Sharing
852: Other General Purpose Fiscal Assistance

Description of Function:

The General Revenue Sharing program accounts for about 70 percent of this function. The balance of the function is comprised of payments and loans to the District of Columbia, along with the return of a portion of certain taxes and other charges to States, local governments, and territories.

Major Federal Programs in This Function:

General Revenue Sharing
District of Columbia Federal Payment
Payments in Lieu of Taxes to States and Countries (PILT)
Forest Service Receipts
Minerals Management Service Payments
Payments to Territories

Major Federal Departments and Agencies in This Function:

Department of Treasury
Department of Interior

Function 900: Net Interest

901: Interest on the Public Debt
902: Interest Received by On-Budget Trust Funds
903: Interest Received by Social Security Trust funds (Off-Budget)
908: Other Interest

Description of Function:

This function is composed principally of interest on the public debt, to which are added minor amounts of other interest paid by the Federal Government (interest on income tax refunds, for example) and from which are deducted offsetting interest receipts, such as interest received by trust funds on their public debt holdings and interest paid by the Federal Financing Bank on its borrowings from the Treasury. Because the Social Security Old-Age and Survivors Insurance program is now off-budget, the interest received by these two trust funds is now a separate subfunction. Of the on-budget trust funds, the largest in terms of interest earnings is the Civil Service Retirement and Disability Fund.

The function total represents the net payment of interest by the Federal Government to the public. The Treasury Department accounts for almost all of the transactions in this function.

Major Federal Programs in This Function:

Interest on the Public Debt
Interest Received by Trust Funds
Interest Received from Federal Financing Bank

Major Federal Departments and Agencies in This Function:

Department of Treasury

Function 920: Allowances

921: Civilian Agency Pay Raises

926: Increased Employing Agency Payments for Employee Retirement

Description of Function:

This function includes an amount for the civilian agency pay raises which are assumed for the budget year and projected for future years. It also may include amounts for contingencies or other budget initiatives, where the specific funding levels, by function, have not yet been determined.

Major Federal Programs in This Function:

Civilian Agency Pay Raise
Contingencies for Other Requirements

Function 950: Undistributed Offsetting Receipts

951: Employer Share Employee Retirement (On-budget)
952: Employer Share Employee Retirement (Off-budget)
953: Rents and Royalties on the Outer Continental Shelf
954: Sale of Major Physical Assets

Description of Function:

Undistributed offsetting receipts involve financial transactions that are deducted from budget authority and outlays of the Government as a whole. The four items in this function are: the employer's share of employee retirement programs, composed of the Federal Government's on-budget contribution to its employee retirement plans; the Federal employer's share of employee retirement contribution which is off-budget; receipts from the sale of leases on Outer Continental Shelf (OCS) lands, from annual rental fees, and from royalties on oil and gas production from leased Federal lands; and proceeds from the sale of disposition of certain assets.

APPENDIX B—MULTIYEAR PERSPECTIVES ON FUNCTIONAL SPENDING LEVELS

FUNCTION 050: NATIONAL DEFENSE

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	216.55	185.30	0.05	
1983 actual	245.05	209.90		
1984 actual	265.15	227.40		
1985 actual	294.65	252.75	1.55	
1986 current level estimate	286.75	269.45	.50	
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	320.35	282.25		
As reestimated by CBO	320.25	296.70		
CBO baseline, adjusted [1]	300.85	284.00		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	341.55	299.15		
As reestimated by CBO	341.30	316.65		
CBO baseline, adjusted [1]	314.65	296.30		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	363.25	322.30		
As reestimated by CBO	362.90	336.05		
CBO baseline, adjusted [1]	329.40	310.80		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 150: INTERNATIONAL AFFAIRS

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	18.20	12.30	8.95	6.05
1983 actual	10.75	11.85	8.10	8.75
1984 actual	24.55	15.90	9.35	7.40
1985 actual	26.45	16.20	7.95	8.15
1988 current level estimate	18.90	17.10	8.75	11.75
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	22.65	18.60	8.10	12.15
As reestimated by CBO	23.70	16.50	10.00	10.35
CBO baseline, adjusted [1]	20.20	15.30	8.80	12.25
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	21.55	18.25	8.20	12.15
As reestimated by CBO	23.20	17.50	10.10	10.35
CBO baseline, adjusted [1]	20.80	15.80	9.00	12.75
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	21.45	18.05	8.35	12.00
As reestimated by CBO	21.90	17.65	10.15	10.20
CBO baseline, adjusted [1]	24.35	15.85	9.30	13.25

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	7.20	7.20	0.15	
1983 actual	8.15	7.95	.20	
1984 actual	8.80	8.30	.15	
1985 actual	9.15	8.65		
1986 current level estimate	8.85	8.95		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	9.45	9.20		
As reestimated by CBO	9.45	9.05		
CBO baseline, adjusted [1]	9.30	9.05		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	9.95	9.30		
As reestimated by CBO	9.95	9.45		
CBO baseline, adjusted [1]	9.70	9.45		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	11.05	10.15		
As reestimated by CBO	11.05	10.30		
CBO baseline, adjusted [1]	10.20	9.85		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 270: ENERGY

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	12.75	13.55	10.40	0.40
1983 actual	10.70	9.35	4.85	.05
1984 actual	7.85	7.10	2.30	([2])
1985 actual	8.75	5.70	4.10	.05
1986 current level estimate	−1.10	4.40	2.15	
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	4.35	4.00	2.50	
As reestimated by CBO	3.75	4.35	.85	
CBO baseline, adjusted [1]	6.15	5.30	2.10	
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	5.35	4.50	2.05	
As reestimated by CBO	4.95	4.10	.65	
CBO baseline, adjusted [1]	5.60	5.25	2.15	
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	4.80	3.95	1.65	
As reestimated by CBO	4.50	3.45	.40	
CBO baseline, adjusted [1]	5.90	5.10	2.25	

[1] Adjusted to reflect legislation enacted through May 1, 1986.

[2] Less than $25 million.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	11.25	13.00	0.05	
1983 actual	13.30	12.65	.10	
1984 actual	12.30	12.60	.05	
1985 actual	13.35	13.35	.10	
1986 current level estimate	12.35	12.60	.10	
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	10.95	11.95	.05	
As reestimated by CBO	11.00	12.05	.05	
CBO baseline, adjusted [1]	12.95	13.05	.10	
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	10.60	11.80	.05	
As reestimated by CBO	10.60	11.90	.05	
CBO baseline, adjusted [1]	13.30	13.10	.10	
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	10.00	11.65	.05	
As reestimated by CBO	10.00	11.75	.05	
CBO baseline, adjusted [1]	13.70	13.50	.10	

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 350: AGRICULTURE

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	24.15	15.95	15.70	1.60
1983 actual	35.20	22.90	16.95	4.75
1984 actual	11.80	13.60	9.45	4.60
1985 actual	27.50	25.55	15.20	3.85
1986 current level estimate	31.55	30.80	19.90	7.15
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	19.60	19.55	13.00	5.50
As reestimated by CBO	23.15	22.40	13.50	5.50
CBO baseline, adjusted [1]	23.80	23.55	14.30	8.00
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	22.25	19.65	11.95	6.00
As reestimated by CBO	25.40	24.00	11.80	6.00
CBO baseline, adjusted [1]	26.10	24.85	12.10	8.50
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	22.55	18.90	9.80	6.50
As reestimated by CBO	23.60	19.80	10.35	6.50
CBO baseline, adjusted [1]	25.45	21.70	11.35	8.65

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	11.75	6.25	7.60	18.55
1983 actual	10.15	6.70	7.10	46.80
1984 actual	13.25	6.90	11.95	20.40
1985 actual	12.10	4.25	5.80	51.20
1986 current level estimate	9.80	3.65	4.75	70.05
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	10.20	1.35	1.80	37.50
As reestimated by CBO	11.15	3.00	2.15	32.15
CBO baseline, adjusted [1]	9.65	3.75	5.15	40.55
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	8.70	3.85	1.65	37.45
As reestimated by CBO	9.25	4.10	1.55	32.05
CBO baseline, adjusted [1]	10.05	5.65	5.20	42.20
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	6.50	−.50	1.50	37.40
As reestimated by CBO	5.90	−1.15	1.65	32.00
CBO baseline, adjusted [1]	8.65	2.40	5.60	43.85

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 400: TRANSPORTATION

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	24.45	20.65	0.15	0.70
1983 actual	27.10	21.35	.40	.35
1984 actual	29.30	23.65	1.20	.20
1985 actual	29.55	25.85	.45	.05
1986 current level estimate	28.00	27.45	.70	.05
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	22.55	25.50	.15	....
As reestimated by CBO	22.90	25.60	.45	....
CBO baseline, adjusted [1]	29.10	28.00	.50	.05
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	22.40	24.10	.10	....
As reestimated by CBO	22.75	24.40	.35	....
CBO baseline, adjusted [1]	29.75	28.10	.40	.05
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	22.50	23.40	.05	....
As reestimated by CBO	22.65	23.95	.15	....
CBO baseline, adjusted [1]	30.55	28.95	.20	.05

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	8.40	8.35	1.25	0.20
1983 actual	10.00	7.55	1.25	.10
1984 actual	9.00	7.65	1.10	.15
1985 actual	8.15	7.70	1.25	.10
1986 current level estimate	6.95	7.85	1.05	.25
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	3.80	6.55	.45	.05
As reestimated by CBO	3.75	6.25	.35	.05
CBO baseline, adjusted [1]	7.30	7.45	1.05	.30
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	4.95	5.45	.15	.05
As reestimated by CBO	5.00	5.45	.35	.05
CBO baseline, adjusted [1]	7.85	7.45	1.35	.30
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	4.85	4.95	.10	(2)
As reestimated by CBO	4.75	4.85	.10	(2)
CBO baseline, adjusted [1]	7.95	7.25	1.20	.30

[1] Adjusted to reflect legislation enacted through May 1, 1986.

[2] Less than $25 million.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	26.60	27.05	1.20	6.20
1983 actual	28.20	26.60	.70	7.25
1984 actual	31.65	27.60	1.00	7.60
1985 actual	32.35	29.35	1.30	8.90
1986 current level estimate	30.30	30.65	1.20	9.95
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	26.95	27.45	1.55	9.75
As reestimated by CBO	27.15	27.45	1.45	9.55
CBO baseline, adjusted [1]	32.00	30.95	1.55	10.55
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	26.65	26.30	1.70	11.40
As reestimated by CBO	26.70	26.40	1.40	10.30
CBO baseline, adjusted [1]	33.60	32.15	1.50	10.70
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	26.55	26.45	1.80	12.90
As reestimated by CBO	26.05	25.95	1.30	10.85
CBO baseline, adjusted [1]	34.75	33.45	1.45	10.90

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 550: HEALTH

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	27.50	27.45	0.05	0.20
1983 actual	25.05	28.65	(2)	.25
1984 actual	31.65	30.40	(2)	.25
1985 actual	33.60	33.55	(2)	.25
1986 current level estimate	36.45	35.65	(2)	.40
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	35.35	35.00	(2)	.10
As reestimated by CBO	35.40	35.05	(2)	.10
CBO baseline, adjusted [1]	38.45	38.30	(2)	.30
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	36.50	36.65	(2)	.10
As reestimated by CBO	36.70	36.85	(2)	.10
CBO baseline, adjusted [1]	41.05	40.90	(2)	.30
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	38.00	37.95	(2)	.10
As reestimated by CBO	38.35	38.30	(2)	.10
CBO baseline, adjusted [1]	43.65	43.25	.05	.30

[1] Adjusted to reflect legislation enacted through May 1, 1986.

[2] Less than $25 million.

FUNCTION 570: MEDICARE

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	199.40	202.55		
1983 actual	230.55	223.30		
1984 actual	241.75	235.75		
1985 actual	71.70	65.80		
1986 current level estimate	86.35	67.90		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	82.25	70.25		
As reestimated by CBO	82.05	70.60		
CBO baseline, adjusted [1]	83.35	73.70		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	89.75	76.05		
As reestimated by CBO	89.60	76.85		
CBO baseline, adjusted [1]	91.75	82.40		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	98.15	83.00		
As reestimated by CBO	98.40	84.45		
CBO baseline, adjusted [1]	101.80	92.25		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 600: INCOME SECURITY

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	121.60	107.70	0.90	13.30
1983 actual	135.40	122.60	.25	14.25
1984 actual	138.85	112.65	1.40	13.70
1985 actual	164.10	128.20	14.05	
1986 current level estimate	156.10	118.30	1.45	
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	153.30	118.35	1.75	
As reestimated by CBO	157.25	119.45	1.70	
CBO baseline, adjusted [1]	164.35	122.60	1.80	
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	163.35	123.10	1.15	
As reestimated by CBO	164.25	123.55	1.15	
CBO baseline, adjusted [1]	172.05	128.90	1.90	
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	166.05	125.75	.50	
As reestimated by CBO	167.85	126.85	.50	
CBO baseline, adjusted [1]	176.90	133.55	1.45	

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 650: SOCIAL SECURITY

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual				
1983 actual				
1984 actual				
1985 actual	199.50	188.60		
1986 current level estimate	199.55	199.55		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	227.85	212.20		
As reestimated by CBO	226.95	211.65		
CBO baseline, adjusted [1]	226.60	211.55		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	259.25	226.55		
As reestimated by CBO	257.00	[illegible]		
CBO baseline, adjusted [1]	256.75	226.30		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	283.75	239.95		
As reestimated by CBO	281.90	241.50		
CBO baseline, adjusted [1]	280.85	241.70		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 700: VETERANS BENEFITS

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	25.00	23.95	0.85	6.00
1983 actual	25.35	24.85	1.20	14.65
1984 actual	26.55	25.60	1.10	16.45
1985 actual	27.40	26.35	1.10	12.15
1986 current level estimate	27.25	26.60	1.45	17.45
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	26.70	26.40	1.15	14.70
As reestimated by CBO	26.70	26.45	1.55	15.60
CBO baseline, adjusted [1]	27.25	26.70	1.55	16.30
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	27.30	26.90	1.05	14.55
As reestimated by CBO	27.35	26.85	1.50	15.85
CBO baseline, adjusted [1]	27.85	27.35	1.45	16.90
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	27.50	26.90	1.00	14.45
As reestimated by CBO	27.30	26.70	1.35	16.05
CBO baseline, adjusted [1]	28.05	27.65	1.25	17.55

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 750: ADMINISTRATION OF JUSTICE

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	4.75	4.70		
1983 actual	5.35	5.10		
1984 actual	6.05	5.65		
1985 actual	6.75	6.30		
1986 current level estimate	6.80	6.85		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	7.10	6.95		
As reestimated by CBO	7.10	7.05		
CBO baseline, adjusted [1]	6.95	7.00		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	7.20	7.00		
As reestimated by CBO	7.20	7.20		
CBO baseline, adjusted [1]	7.10	7.15		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	7.30	7.05		
As reestimated by CBO	7.30	7.30		
CBO baseline, adjusted [1]	7.20	7.25		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 800: GENERAL GOVERNMENT

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	4.95	4.55	([2])	
1983 actual	5.70	4.80		
1984 actual	5.65	5.05		
1985 actual	5.95	5.25		
1986 current level estimate	5.90	5.95		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	6.20	6.05		
As reestimated by CBO	6.25	6.15		
CBO baseline, adjusted [1]	5.55	5.50		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	5.75	5.70		
As reestimated by CBO	6.40	6.35		
CBO baseline, adjusted [1]	5.70	5.70		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	6.05	6.10		
As reestimated by CBO	6.40	6.45		
CBO baseline, adjusted [1]	5.60	5.70		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

[2] Less than $25 million.

FUNCTION 850: GENERAL PURPOSE FISCAL ASSISTANCE

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	6.40	6.40	0.30	0.60
1983 actual	6.35	6.40	.30	
1984 actual	6.80	6.75	.10	
1985 actual	6.30	6.35		
1986 current level estimate	5.45	5.85		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	1.75	1.75		
As reestimated by CBO	1.75	1.75		
CBO baseline, adjusted [1]	6.55	6.20		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	1.85	1.85		
As reestimated by CBO	1.85	1.85		
CBO baseline, adjusted [1]	6.60	6.60		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	1.90	1.90		
As reestimated by CBO	1.90	1.90		
CBO baseline, adjusted [1]	6.65	6.65		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 900: NET INTEREST

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	85.00	85.00		
1983 actual	89.80	89.75		
1984 actual	111.05	111.05		
1985 actual	129.45	129.45		
1986 current level estimate	139.95	139.95		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	148.00	148.00		
As reestimated by CBO	144.80	144.80		
CBO baseline, adjusted [1]	146.15	146.15		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	145.10	145.10		
As reestimated by CBO	152.85	152.85		
CBO baseline, adjusted [1]	156.60	156.60		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	136.05	136.05		
As reestimated by CBO	153.40	153.40		
CBO baseline, adjusted [1]	158.75	158.75		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 920: ALLOWANCES

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual				
1983 actual				
1984 actual				
1985 actual				
1986 current level estimate				
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	0.75	0.75		
As reestimated by CBO	.70	.75		
CBO baseline, adjusted [1]	1.05	1.10		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	2.40	2.35		
As reestimated by CBO	2.20	2.35		
CBO baseline, adjusted [1]	3.00	3.20		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	3.55	3.50		
As reestimated by CBO	3.25	3.50		
CBO baseline, adjusted [1]	5.15	5.50		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

[In billions of dollars]

	Budget authority	Outlays	Direct loans	Primary loan guarantee
Fiscal year:				
1982 actual	−26.10	−26.10		
1983 actual	−34.00	−34.00		
1984 actual	−31.95	−31.95		
1985 actual	−32.75	−32.75		
1986 current level estimate	−39.10	−39.10		
Fiscal year 1987:				
President's budget (Feb. 5, 1986)	−38.15	−38.15		
As reestimated by CBO	−36.85	−36.85		
CBO baseline, adjusted [1]	−36.05	−36.05		
Fiscal year 1988:				
President's budget (Feb. 5, 1986)	−46.35	−46.35		
As reestimated by CBO	−44.15	−44.15		
CBO baseline, adjusted [1]	−38.35	−38.35		
Fiscal year 1989:				
President's budget (Feb. 5, 1986)	−43.80	−43.80		
As reestimated by CBO	−50.90	−50.90		
CBO baseline, adjusted [1]	−40.40	−40.40		

[1] Adjusted to reflect legislation enacted through May 1, 1986.

APPENDIX C—HISTORICAL PERSPECTIVE

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS IN FISCAL YEARS

[In billions of dollars]

Major function		1982	1983	1984	1985	Current level 1986	Adjusted CBO baseline			Committe recommendation		
							1987	1988	1989	1987	1988	1989
050	National defense	185.30	209.90	227.40	252.75	269.45	284.00	296.30	310.80	276.20	281.40	290.50
150	International affairs	12.30	11.85	15.90	16.20	17.10	15.30	15.80	15.85	13.80	13.55	12.85
250	General science, space, and technology	7.20	7.95	8.30	8.65	8.95	9.05	9.45	9.85	8.75	8.75	8.65
270	Energy	13.55	9.35	7.10	5.70	4.40	5.30	5.25	5.10	4.85	4.15	3.75
300	Natural resources and environment	13.00	12.65	12.60	13.35	12.60	13.05	13.10	13.50	12.25	12.15	12.20
350	Agriculture	15.95	22.90	13.60	25.55	30.75	23.55	24.85	21.70	23.55	24.80	21.55
370	Commerce and housing credit	6.25	6.70	6.90	4.25	3.65	3.75	5.65	2.40	2.20	5.10	1.30
400	Transportation	20.65	21.35	23.65	25.85	27.45	28.00	28.10	28.95	25.50	26.45	26.35
450	Community and regional development	8.35	7.55	7.65	7.70	7.85	7.50	7.45	7.25	7.00	7.05	6.60
500	Education, training, employment and social services	27.05	26.60	27.60	29.35	30.65	30.95	32.15	33.45	30.60	32.30	33.10
550	Health	27.45	28.65	30.40	33.55	35.65	38.30	40.90	43.25	38.35	40.70	42.80
570	Social Security and Medicare	202.55	223.30	235.75	65.80	67.90	73.70	82.40	92.25	73.40	81.85	91.35
600	Income security	107.70	122.60	112.65	128.20	118.30	122.60	128.90	133.55	121.40	127.20	130.60
650	Social Security				188.60	199.55	211.55	226.30	241.70	209.35	223.25	238.55
700	Veterans benefits and services	23.95	24.85	25.60	26.35	26.60	26.70	27.35	27.65	26.70	27.05	26.90
750	Administration of justice	4.70	5.10	5.65	6.30	6.85	7.00	7.15	7.25	7.15	7.25	7.35
800	General government	4.55	4.80	5.05	5.25	5.95	5.50	5.70	5.70	5.65	6.05	6.20
850	General purpose fiscal assistance	6.40	6.45	6.80	6.35	5.85	6.20	6.60	6.65	2.65	1.90	2.00
900	Net interest	85.00	89.75	111.05	129.45	139.95	145.20	156.55	158.70	143.50	151.50	148.95
920	Allowances						1.10	3.20	5.50	0.60	1.70	2.85
950	Undistributed offsetting receipts	−26.10	−34.00	−31.95	−32.75	−39.10	−37.30	−38.35	−40.40	−39.20	−37.10	−38.25
	Total outlays	745.70	808.35	851.70	946.30	980.30	1,021.00	1,084.80	1,130.65	994.25	1,047.05	1,076.15

APPENDIX C—HISTORICAL PERSPECTIVE

HISTORICAL PERSPECTIVE ON FUNCTIONAL OUTLAYS IN FISCAL YEARS AS A PERCENT OF TOTAL BUDGET OUTLAYS

Major function	1982	1983	1984	1985	Current level 1986	Adjusted CBO baseline			Committe recommendation		
						1987	1988	1989	1986	1987	1988
050 National defense	24.8	26.0	26.7	26.7	27.5	27.8	27.3	27.5	27.8	26.9	27.0
150 International affairs	1.6	1.5	1.9	1.7	1.7	1.5	1.5	1.4	1.4	1.3	1.2
250 General science, space, and technology	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.8
270 Energy	1.8	1.2	0.8	0.6	0.4	0.5	0.5	0.5	0.5	0.4	0.3
300 Natural resources and environment	1.7	1.6	1.5	1.4	1.3	1.3	1.2	1.2	1.2	1.2	1.1
350 Agriculture	2.1	2.8	1.6	2.7	3.1	2.3	2.3	1.9	2.4	2.4	2.0
370 Commerce and housing credit	0.8	0.8	0.8	0.4	0.4	0.4	0.5	0.2	0.2	0.5	0.1
400 Transportation	2.8	2.6	2.8	2.7	2.8	2.7	2.6	2.6	2.6	2.5	2.4
450 Community and regional development	1.1	0.9	0.9	0.8	0.8	0.7	0.7	0.6	0.7	0.7	0.6
500 Education, training, employment and social services	3.6	3.3	3.2	3.1	3.1	3.0	3.0	3.0	3.1	3.1	3.1
550 Health	3.7	3.5	3.6	3.5	3.6	3.8	3.8	3.8	3.9	3.9	4.0
570 Social Security and Medicare	27.2	27.6	27.7	7.0	6.9	7.2	7.6	8.2	7.4	7.8	8.5
600 Income security	14.4	15.2	13.2	13.5	12.1	12.0	11.9	11.8	12.2	12.1	12.1
650 Social Security				19.9	20.4	20.7	20.9	21.4	21.1	21.3	22.2
700 Veterans benefits and services	3.2	3.1	3.0	2.8	2.7	2.6	2.5	2.4	2.7	2.6	2.5
750 Administration of justice	0.6	0.6	0.7	0.7	0.7	0.7	0.7	0.6	0.7	0.7	0.7
800 General government	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.6	0.6	0.6
850 General purpose fiscal assistance	0.9	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.3	0.2	0.2
900 Net interest	11.4	11.1	13.0	13.7	14.3	14.2	14.4	14.0	14.4	14.5	13.8
920 Allowances						0.1	0.3	0.5		0.2	0.3
950 Undistributed offsetting receipts	−3.5	−4.2	−3.8	−3.5	−4.0	−3.7	−3.5	−3.6	−3.9	−3.5	−3.6
Total outlays	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

APPENDIX D

FEDERAL AID TO STATE AND LOCAL GOVERNMENT

COMMITTEE RECOMMENDATION

The Committee recommendation assumes $112.1 billion in budget authority and $108.3 billion in outlays for fiscal year 1987 and $110.3 billion in budget authority and $100.4 billion in outlays for fiscal year 1986, for Federal grants to State and local governments.

COMPARED TO THE BASELINE LEVEL

The CBO estimate for maintaining Federal assistance in fiscal year 1987 at the fiscal year 1986 program levels is $118.0 billion in budget authority and $111.3 billion in outlays.

The Committee recommendation is $5.9 billion in budget authority below the baseline estimate and $3.0 billion in outlays below the baseline estimate.

COMPARED TO THE PRESIDENT'S BUDGET

The President's budget provides for $89.1 billion in budget authority and $99.1 billion in outlays for fiscal year 1987, and $105.2 billion in budget authority and $108.8 billion in outlays for fiscal year 1986, for Federal assistance to State and local governments.

The Committee recommendation is $23.0 billion in budget authority and $9.2 billion in outlays above the President's fiscal year 1987 recommendation and $5.1 billion above the President in budget authority and $0.6 billion in outlays above the President's 1986 recommendation.

OVERVIEW

The Committee recommendation for grants to State and local governments reflects the belief that our current system of Federalism should be maintained. The Committee recommendation rejects the administration's budget proposals which, to a large degree, would have dismantled the current Federal-State-local partnership through the termination or significant reduction of many Federal assistance programs.

The Committee recommendation also recognizes that because of the overwhelming need to reduce the Federal deficit, there has to be significant spending restraint in domestic programs as well as defense. At the same time, the Committee recommendation attempts to preserve essential National program priorities by providing full inflation funding for significant low-income programs and by providing some increases for other priority areas, including education and health programs.

MAJOR STATE AND LOCAL ASSISTANCE PROGRAMS

In fiscal year 1987, there are approximately 20 Federal assistance programs to State and local governments which account for about 85 percent of total Federal assistance (Shown in the following table). Twelve of these programs including the largest, medicaid, fall in the category of low-income programs or programs of assistance to the disadvantaged. The Committee recommendation assumes that most of these programs would be funded at the baseline level. Medicaid was increased by $220 million above the baseline estimate to expand coverage for maternal and child care and to extend optional coverage to the elderly and poor. Child nutrition was increased $0.05 billion to provide for expanded coverage and an additional $75 million is assumed for WIC as part of the overall children's initiative.

Another major category of State and local assistance is infrastructure programs. In this area, the highway program was assumed at five percent below the 1986 funding level. Two mass transit programs (Section 3 grants and operating assistance) would be reduced ten percent from 1986 funding, while remaining transit programs such as formula capital grants, interstate transfer and Washington Metro are maintained at 1986 funding levels. The Committee recommendation assumes the current law level for the airport improvement grants and the 1986 funding level for EPA construction grants.

The two remaining major State and local assistance programs are the General Revenue Sharing (GRS) program and the Community Development Block Grant (CDBG) program. For GRS, the Committee recognized the uncertainty of the reauthorization process and assumed no funding for the program. However, the Committee did not intend to prejudice the possible enactment of reauthorization legislation, and assumed that funding up to $4,567 million could be provided for GRS at a later date if the program is enacted and funding could be provided within the overall spending allocation in the Committee recommendation. The CDBG program is assumed at $2.9 billion.

The Committee also assumes a $1.5 billion increase for priority education programs and $0.5 billion for priority health programs, but did not specify the distribution of this increase among programs.

MAJOR STATE AND LOCAL ASSISTANCE PROGRAMS; HOUSE BUDGET COMMITTEE RECOMMENDATION COMPARED TO ADMINISTRATION'S ASSUMPTIONS

[Budget authority in billions of dollars]

Program	Fiscal year 1987 HBC recommendation	President's 1987 request	Committee recommendation over/under President
Medicaid	26.3	24.7	+1.6
Highway Trust Fund	13.8	12.6	+1.2
Subsidized housing	11.5	....	+11.5
Assistance payments	9.5	8.2	+1.3
Child nutrition	4.1	3.4	+0.7
Mass transit	3.4	1.2	+2.2
Compensatory education	3.8	3.7	+0.1

MAJOR STATE AND LOCAL ASSISTANCE PROGRAMS; HOUSE BUDGET COMMITTEE RECOMMENDATION COMPARED TO ADMINISTRATION'S ASSUMPTIONS—Continued

[Budget authority in billions of dollars]

Program	Fiscal year 1987 HBC recommendation	President's 1987 request	Committee recommendation over/under President
General revenue sharing			
Community development block grants	2.9	2.1	+0.8
Training and employment services	2.9	2.5	+0.4
Social services block grants	2.7	2.7	
EPA construction grants	2.4	1.8	+0.6
Low-income energy	2.0	2.1	−0.1
Human development services	2.1	1.9	+0.2
Unemployment trust fund	1.8	1.7	+0.1
Operation of low-income housing	1.3	1.3	
WIC	1.7	1.6	+0.1
Rehabilitation services and handicapped research	1.1	1.1	
Education for handicapped	1.3	1.1	+0.2
Airport grants-in-aid	1.0	1.0	
Other high priority education, training, social services and health programs	2.0		+2.0
Subtotal	97.6	74.7	+22.9
All other	14.5	14.4	+0.1
Total	112.1	89.1	+23.0

APPENDIX E

TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined in the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to provisions in corporation and individual income taxes.

Estimates of individual tax expenditures consistent with the statutory definition are prepared by the Treasury Department, the Congressional Budget Office, and the Joint Committee on Taxation. Although there is general agreement among these sources, the concept of tax expenditures continues to evolve, and the inclusion or exclusion of individual provisions often proves controversial. The estimates normally presented here are those of the Joint Committee on Taxation and in this case are based on that committee's most recent report of March 1, 1986.

Tax expenditures are one means by which the Federal government pursues public policy objectives and, in most cases, can be viewed as alternatives to budget outlays, credit assistance or other policy instruments. Tax expenditures are designed to meet a variety of needs and objectives; nearly all are intended either to encourage certain economic activities or to reduce income tax liabilities for taxpayers in special circumstances. These needs and objectives in many cases could also be met through direct expenditure programs. The outlays equivalent of a tax expenditure is frequently greater than the estimated tax expenditure as conventionally measured by the revenue loss, because outlays in many cases would be included in the taxable income of beneficiaries.

Whatever one's views of tax expenditure theory, the deficit impact of the revenues forgone by the numerous incentives in the tax code is undeniable. With efforts to reduce the growth in Federal spending intensifying, and competition for room in the budget increasingly keen, it is important that Congress scrutinize tax provisions as well as spending practices. This year, Congress will continue to do so as it deliberates the prospect of major broad-based tax reform. The list of tax expenditures in Table 1 also serves as a compilation of possible options for future revenue increases, should they be necessary.

Tax expenditures—the amount of tax revenue foregone because of tax incentives, special or selective tax relief—total $450.5 billion in fiscal year 1987. Appendix E shows the revenue lost from these items for fiscal years 1987 through 1991. Because of interaction among the provisions, the revenue effect from widespread repeals would not necessarily equal the exact sum of the revenue losses for each item.

The economic assumptions upon which these calculations are based were the most recent Congressional Budget Office assumptions available to the Joint Committee in March. Accordingly, they are the same as the assumptions used in the resolution this report accompanies.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1987–91

[Billions of dollars]

Function	Corporations					Individuals					Total 1987–91
	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991	
National defense:											
Exclusion of benefits and allowances to Armed Forces personnel						2.3	2.4	2.6	2.7	2.7	12.7
Exclusion of military disability pensions						0.1	0.1	0.1	0.1	0.2	0.7
International affairs:											
Exclusion of income earned abroad by U.S. citizens						1.6	1.7	1.8	1.9	2.0	8.9
Exclusion of certain allowances for Federal employees abroad						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of income of foreign sales corporations (FSCs)	1.0	1.2	1.3	1.4	1.5						6.4
Deferral of income of controlled foreign corporations	0.4	0.5	0.5	0.5	0.6						2.5
General science, space, and technology:											
Expensing of research and development expenditures	3.3	3.4	3.4	3.5	3.5	0.1	0.2	0.2	0.2	0.2	18.0
Credit for increasing research activities	0.4	0.1	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.6
Energy:											
Expensing of exploration and development costs:											
Oil and gas	1.6	1.6	1.6	1.7	1.8	1.1	1.1	1.2	1.2	1.3	14.2
Other fuels	0.1	0.1	0.2	0.2	0.2	([1])	([1])	([1])	([1])	([1])	0.8
Excess of percentage over cost depletion:											
Oil and gas	0.1	0.1	0.2	0.2	0.2	0.6	0.6	0.6	0.6	0.7	3.9
Other fuels	0.3	0.3	0.3	0.3	0.3	([1])	([1])	([1])	([1])	([1])	1.5
Capital gains treatment of royalties from coal	([1])	([1])	([1])	([1])	([1])	0.1	0.1	0.1	0.1	0.1	0.5
Alternative fuel production credit	([1])	([1])	([1])	([1])	([1])						(0.1)
Alcohol fuel credit [3]	([1])	([1])	0.2	0.3	0.3	([1])	([1])	([1])	([1])	([1])	0.9
Exclusion of interest on State and local government industrial development bonds for energy production facilities	([2])	([2])	([2])	([2])	([2])	0.3	0.3	0.3	0.3	0.3	1.3
Natural resources and environment:											
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.2	0.2	0.2	([1])	([1])	([1])	([1])	([1])	0.8
Excess of percentage over cost depletion, nonfuels materials	0.3	0.3	0.3	0.3	0.4	([1])	([1])	([1])	([1])	([1])	1.8
Capital gains treatment of iron ore	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.1
Capital gains treatment of certain timber income	0.5	0.6	0.6	0.6	0.7	0.1	0.2	0.2	0.2	0.2	3.9
Investment credit and 7-year amortization of reforestation expenditures	0.1	0.1	0.1	0.1	0.1	([1])	([1])	([1])	([1])	([1])	0.5
Exclusion of interest on State and local govenment pollution control, sewage, and waste disposal facilities bonds	−0.4	−0.5	−0.5	−0.5	−0.6	2.8	3.2	3.6	4.1	4.7	15.8
Tax incentives for preservation of historic structures	0.1	0.2	0.2	0.2	0.2	1.4	1.5	1.6	1.7	1.8	8.9

Special rules for mining reclamation reserves	(1)	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Agriculture:											
Expensing of certain capital outlays	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	1.0
Capital gains treatment of certain income	1.7	1.8	1.9	2.0	2.0	0.8	0.9	1.0	1.1	1.3	14.5
Deductibility of patronage dividends and certain other items of cooperatives	0.8	0.8	0.8	0.9	0.9	−0.2	−0.2	−0.2	−0.2	−0.2	3.1
Cost sharing payments						(1)	(1)	(1)	(1)	(1)	0.1
Commerce and housing:											
Financial institutions:											
Bad debt reserves of financial institutions	0.8	0.6	0.4	0.6	0.8						3.2
Merger rules for thrift institutions	0.6	0.3	0.3	0.3	0.3						2.3
Exemption of credit union income	0.4	0.4	0.4	0.4	0.5						2.1
Insurance companies:											
Exclusion of interest on life insurance and anunity savings	0.3	0.3	0.3	0.3	0.4	5.7	6.0	6.3	6.6	6.9	33.2
Special taxable income adjustment for life insurance companies	1.0	1.0	1.1	1.2	1.3						5.6
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1						0.5
Treatment of life insurance company reserves	0.6	0.6	0.7	0.7	0.8						3.4
Deductions of unpaid losses of property and casualty insurance companies	1.7	1.9	2.0	2.1	2.3						10.0
PAL accounts of mutual property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1						0.5
Special exemptions, rates, and deductions of small mutual property and casualty insurance companies	0.2	0.2	0.2	0.3	0.3						1.2
Tax exemption for certain insurance companies	0.4	0.5	0.5	0.6	0.7						2.7
Housing:											
Deductibility of mortgage interest on owner-occupied homes						33.0	37.0	41.3	46.1	51.5	208.9
Deductibility of property tax on owner-occupied homes						9.6	10.9	12.4	14.1	16.0	63.0
Deferral of capital gains on home sales						6.4	6.9	7.5	8.0	8.6	37.4
Exclusion of capital gains on home sales for persons age 55 and over						2.1	2.3	2.5	2.7	2.9	12.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.7	0.8	0.8	0.7	0.7	2.3	2.5	2.5	2.4	2.3	15.8
Accelerated depreciation in excess of straightline for rental housing	0.3	0.3	0.3	0.4	0.4	1.4	1.4	1.4	1.6	1.7	9.2
Expensing construction period interest and taxes for low-income housing	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	1.0
Exclusion of interest on State and local government bonds for rental housing	0.3	0.4	0.4	0.4	0.5	1.0	1.1	1.2	1.2	1.3	7.9
Other business and commerce:											
Accelerated depreciation in excess of straightline on buildings other than rental housing	5.1	5.0	5.1	5.5	5.7	5.6	5.5	5.6	5.9	6.1	55.1
Accelerated depreciation on equipment	14.8	13.9	14.2	14.8	15.4	2.1	1.8	1.8	1.8	1.9	82.5
Investment credit other than ESOPs, rehabilitation of structures, reforestation, and energy property	31.2	34.6	38.3	42.3	46.4	5.6	6.2	6.8	7.5	8.2	227.1
Expensing $5,000 depreciable business property	0.1	(1)	(1)	−0.1	−0.3	0.1	0.1	(1)	(1)	(1)	−0.1

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1987–91—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1987–91
	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991	
Capital gains, other than agriculture, coal, timber, and iron ore						33.5	38.4	43.4	48.9	55.2	219.4
Capital gains at death						4.4	5.0	5.5	6.1	6.8	27.8
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Nonrecognition of gain on property distributions in liquidation	4.5	5.3	5.9	6.3	6.6	−0.4	−0.5	−0.5	−0.6	−0.6	26.1
Reduced rates on first $100,000 of corporate taxable income	9.3	9.6	9.9	10.4	10.9						50.1
Dividend exclusion						0.6	0.7	0.7	0.7	0.7	3.4
Deductibility of nonmortgage interest in excess of investment income						9.5	10.6	11.6	12.7	13.9	58.3
Finance leasing	0.1	0.2	0.8	1.6	2.3						5.0
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.2
Exclusion of income from discharge of indebtedness	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing magazine circulation expenditures	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Special rules for magazine, paperback, and record returns	(1)	(1)	(1)	(1)	(1)						(1)
Deferral of gain on installment sales	0.2	0.2	0.2	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.3
Completed contract rules	4.4	4.8	5.1	5.3	5.5	0.4	0.4	0.4	0.5	0.5	27.2
Cash accounting, other than agriculture	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.6
Bad debt reserves, other than financial institutions	0.5	0.5	0.6	0.6	0.6	(1)	(1)	(1)	(1)	(1)	3.0
Amortization of trademark expenses	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.4
Special rules for discount coupon redemptions	(1)	(1)	(1)	(1)	(1)						(1)
Exclusion of interest on State and local government industrial development bonds	−0.6	−0.5	−0.4	−0.2	(2)	4.2	4.4	4.3	4.2	4.0	19.5
Transportation:											
Deferral of tax on shipping companies	0.1	0.1	0.1	0.1	(1)						0.4
Exclusion of interest on State and local government mass transit bonds	(2)	(2)	(2)	(2)	(2)	0.1	(1)	(1)	(1)	(1)	0.2
Amortization of railroad grading and tunnel bores	(1)	(1)	(1)	(1)	(1)						(1)
Community and regional development:											
Investment credit for rehabilitation of structures, other than historic structures	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.2	0.3	0.3	2.5
Exclusion of interest on State and local government bonds for private airports, docks, and convention facilities	−0.1	−0.1	−0.1	−0.1	−0.1	1.0	1.1	1.3	1.4	1.6	5.9
Exclusion of payment in aid of construction of water, sewage, gas, and electric utilities	0.1	0.1	0.1	(1)	(1)						0.3

Education, training, employment, and social services:											
Education and training:											
Exclusion of scholarship and fellowship income						0.9	0.9	1.0	1.1	1.1	5.0
Parental personal exemption for students age 19 or over						1.2	1.3	1.3	1.4	1.5	6.7
Exclusion of interest on State and local government student loan bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	2.0
Exclusion of interest on State and local government bonds for private educational facilities	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.4	0.4	0.5	1.9
Deductibility of charitable contributions for education	0.6	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.9	0.9	7.6
Employment:											
Targeted jobs credit	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of employee meals and lodging (other than military)						1.0	1.0	1.1	1.2	1.3	5.6
Employee stock ownership plans (ESOPs):											
Tax credit	2.6	1.7	0.7	0.2	(1)						5.2
Dividend deduction	(1)	(1)	(1)	(1)	(1)						(1)
Nonrecognition of gain on stock sales	(1)	(1)	(1)	(1)	(1)						(1)
Exclusion of interest on ESOP loans	(1)	(1)	(1)	(1)	(1)						(1)
Cafeteria plans						1.0	1.6	2.3	3.0	3.7	11.6
Exclusion of rental allowances of minister's home						0.1	0.2	0.2	0.2	0.2	0.9
Exclusion of miscellaneous fringe benefits						3.6	3.8	4.1	4.5	4.8	20.8
Deduction for two-earner married couples						6.9	7.4	7.9	8.5	9.2	39.9
Exclusion of income earned by benefit organizations:											
Supplemental unemployment benefit trusts						(1)	(1)	(1)	(1)	(1)	0.2
Voluntary employee benefit associations						0.4	0.4	0.5	0.5	0.5	2.3
Reserves for vacation pay	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.4
Social services:											
Deductibility of charitable contributions, other than for education and health	0.6	0.6	0.7	0.7	0.8	11.6	10.2	11.0	11.8	12.9	60.9
Credit for child and dependent care expenses						2.7	3.0	3.4	3.9	4.4	17.4
Exclusion for employer-provided child care						(1)	0.1	0.1	0.1	0.1	0.4
Deduction for adoption expenses						(1)	(1)	(1)	(1)	(1)	0.1
Health:											
Exclusion of employer contributions for medical insurance premiums and medical care						26.3	28.9	32.0	35.5	39.2	161.9
Deductibility of medical expenses						3.5	3.9	4.3	4.8	5.3	21.8
Exclusion of interest on State and local government bonds for hospital facilities	0.2	0.2	0.2	0.2	0.2	2.4	2.8	3.2	3.8	4.4	17.4
Deductibility of charitable contributions for health	0.3	0.3	0.3	0.4	0.4	1.7	1.5	1.6	1.7	1.9	10.1
Medicare:											
Exclusion of untaxed medicare benefits:											
Hospital insurance						4.5	5.2	6.0	6.9	7.9	30.5
Supplementary medical insurance						1.9	2.2	2.6	3.0	3.6	13.2

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1987–91—Continued

[Billions of dollars]

Function	Corporations					Individuals					Total 1987–91
	1987	1988	1989	1990	1991	1987	1988	1989	1990	1991	
Income security:											
Exclusion of untaxed railroad retirement system benefits						0.5	0.5	0.5	0.5	0.5	2.4
Exclusion of workmen's compensation benefits						2.4	2.7	3.0	3.3	3.7	15.1
Exclusion of special benefits for disabled coal miners						0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of untaxed unemployment insurance benefits						0.9	0.8	0.8	0.8	0.8	4.1
Exclusion of public assistance benefits						0.6	0.6	0.6	0.6	0.7	3.3
Net exclusion of pension contributions and earnings:											
Employer plans						58.9	64.3	70.3	76.8	83.9	354.2
Plans for self-employed						2.4	2.6	2.8	2.9	3.1	13.8
Individual retirement plans						15.9	17.7	19.4	20.9	22.6	96.7
Exclusion of other employee benefits:											
Premiums on group term life insurance						2.1	2.3	2.4	2.5	2.6	11.9
Premiums on accident and disability insurance						0.1	0.1	0.1	0.1	0.2	0.7
Exclusion for employer-provided death benefits						0.1	0.1	0.1	0.1	0.1	0.4
Additional exemption for the blind						(3)	(3)	(3)	(3)	(3)	0.3
Additional exemption for the elderly						3.3	3.5	3.7	3.9	4.2	18.6
Tax credit for the elderly and disabled						0.2	0.2	0.2	0.2	0.2	1.0
Deductibility of casualty and theft losses						0.3	0.3	0.3	0.4	0.4	1.7
Earned income credit [4]						0.3	0.3	0.3	0.3	0.3	1.5
Five-year amortization for housing rehabilitation	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Social Security:											
Exclusion of untaxed social security benefits:											
Disability insurance benefit						1.1	1.2	1.3	1.4	1.4	6.4
OASI benefits for retired workers						15.9	16.9	18.0	19.1	20.3	90.1
Benefits for dependents and survivors						1.5	1.6	1.7	1.8	1.9	8.3
Veterans benefits and services:											
Exclusion of veterans' disability compensation						1.8	1.8	1.9	1.9	1.9	9.2
Exclusion of veterans' pensions						0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of GI bill benefits						0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of interest on State and local government veterans housing bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	2.0

General government:											
Credit for contributions to political candidates						0.2	0.3	0.3	0.3	0.3	1.4
General purpose fiscal assistance:											
Exclusion of interest on general purpose State and local government debt	2.4	2.6	2.8	3.0	3.3	9.4	10.2	11.0	11.9	13.0	69.6
Deductibility of nonbusiness State and local government taxes other than on owner-occupied homes						22.7	25.1	27.7	30.6	33.8	139.9
Exclusion and tax credit for corporations with possessions source income	2.0	2.2	2.4	2.7	2.9						12.3
Interest:											
Deferral of interest on savings bonds						0.7	0.7	0.8	0.8	0.8	3.8

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[1] Less than $50 million.

[2] Loss of less than $50 million.

[3] In addition, the 6¢ per gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.2 billion in 1987, $0.2 billion in 1988, and $0.1 billion in 1989.

[4] The figures in the table show the effect of the earned income credit on receipts. The increase in outlays is: $1.6 billion in 1987, $1.5 billion in 1988, $1.4 billion in 1989, $1.3 billion in 1990, and $1.2 billion in 1991.

ADDENDUM TO TABLE 1.—SUM OF TAX EXPENDITURE ITEMS BY TYPE OF TAXPAYER, FISCAL YEARS 1987–91

[In billions of dollars]

Fiscal year	Corporations	Individuals	Total corporations and individuals
1987	97.1	353.4	450.5
1988	101.1	385.1	486.2
1989	107.7	422.1	529.8
1990	116.0	462.3	578.3
1991	124.4	507.1	631.5

Note: These totals represent merely the mathematical sum of the estimated fiscal year effect of each of the tax expenditure items included in Table 1. The limitations on the use of the totals is explained in the text.

Source: Joint Committee on Taxation.

APPENDIX F

1987 FUNDING INITIATIVES IN COMMITTEE RECOMMENDATION

[In billions of dollars]

Program	Budget authority	Outlays
Low-Income Programs	+1.45	+0.25
Children's Initiative	+0.55	+0.35
105 Embassy Security	+1.10	+0.35
250 DOE General Science and NASA Basic Research	+0.05	(1)
NSF Research	+0.15	+0.10
270 Basic Energy Research	+0.05	+0.05
Strategic Petroleum Reserve	+0.30	+0.30
300 Superfund	+0.35	+0.05
350 Agriculture Credit Initiative	+0.15	+0.15
400 Amtrak	+0.05	+0.05
FAA	+0.20	+0.20
500 Trade Initiative	+0.50	+0.05
High Priority Programs	+1.50	+0.45
Teacher Initiative	(1)	(1)
550 AIDs	+0.10	+0.10
Medicaid for Elderly Poor	+0.05	+0.05
Medicaid Formula Hold Harmless	+0.05	+0.05
High Priority Health Programs	+0.45	+0.05
570 Medicare Hospital Deductible	(1)	+0.25
600 Child Nutrition, H.R. 7	+0.05	+0.05
Low-Income Energy Assistance	+0.05	+0.05
700 VA Medical Care	+0.40	+0.40
750 Law Enforcement Activities	+0.25	+0.15
800 IRS	+0.60	+0.60
950 Oil Overcharge Fund Restoration	+0.25	+0.05

[1] Less than $25 million.

Note.—All increases over current law or 1986 levels.

APPENDIX G

INCREASES FOR CHILDREN'S PACKAGE

	Fiscal year—					
	1987		1988		1989	
	BA	0	BA	0	BA	0
Program						
Function 450: Indian Child Welfare	4	4	4	4	4	4
Subtotal 450	4	4	4	4	4	4
Function 500:						
Compensatory Education	100	5	106	87	112	106
Head Start	100	46	106	97	112	108
Indian Education	19	14	20	20	21	21
Childrens Services	11	8	12	12	13	12
Subtotal 500	230	73	244	216	258	247
Function 550:						
Immunization	25	17	26	22	27	26
Maternal and Child Health	75	42	79	68	83	78
Medicaid-Infant Mortality Initiative	125	125	180	180	200	200
Subtotal 550	225	184	285	270	310	304
Function 600: WIC	75	68	78	78	81	81
Subtotal 600	75	68	78	78	81	81
Total	534	329	611	568	653	636

Note.—All increases over baseline levels.

APPENDIX H

LOW-INCOME/HIGH PRIORITY PROGRAMS

FISCAL YEAR 1987

[In millions of dollars]

	House Budget Committee		Baseline		House (+)/(−) baseline	
	BA	O	BA	O	BA	O
Entitlement programs:						
500 Vocational rehabilitation State grant	1,182	1,174	1,182	1,174		
550 Medicaid	26,315	26,315	26,095	26,095	+220	+220
600 Food stamps	13,071	13,062	13,066	13,057	+5	+5
AFDC	9,542	9,542	9,542			
SSI	10,422	10,459	10,422	10,459		
Child nutrition	4,296	4,266	4,262	4,234	+34	+34
Earned income tax credit	1,232	1,232	1,232	1,232		
Low-rent public housing notes	1,551	1,551	1,551	1,551		
700 Veterans' pensions	3,768	3,772	3,768	3,772		
Subtotal, entitlements	71,379	71,373	71,120	71,116	+259	+257
Discretionary programs:						
270 Low-income weatherization	189	184	189	184		
450 BIA Indian operations	508	508	504	504	+4	+4
BIA Construction	105	93	105	93		
500 Comensatory education	3,840	3,573	3,740	3,568	+100	+5
Handicapped education	1,428	1,347	1,428	1,347		
Indian education	359	349	340	335	+19	+14
Student financial assistance	4,945	4,732	4,945	4,732		
TRIO and historically black colleges	338	321	338	321		
Job training	3,757	3,473	3,757	3,473		
Work incentive (WIN)	222	216	222	216		
Older Americans employment	324	314	324	314		
Other vocational rehabilitation	174	171	174	171		
Child welfare serices	220	214	209	206	+11	+8
Head Start	1,198	1,112	1,098	1,066	+100	+46
Community services block grant	374	368	374	368		
High priority programs	1,500	450			+1,500	+450
550 Special health programs	2,359	1,910	1,799	1,767	+560	+143
Maternal and child	553	511	478	469	+75	+42
600 Low-income energy assistance	1,986	1,988	1,919	1,928	+67	+60
WIC and CSFP	1,697	1,686	1,622	1,618	+85	+78
Subsidized housing	11,264	12,793	11,264	12,793		
Emergency food/shelter	73	73	73	73		
750 Legal services	309	307	309	307		
Juvenile justice assistance	72	70	72	70		
950 Low-income weatherization restoration	189	184			+189	+184
Subtotal, discretionary	37,993	36,957	35,283	35,923	+2,710	+1,034
Total	109,372	108,330	106,403	107,039	+2,969	+1,291

X. VIEWS

DISSENTING VIEWS OF REPRESENTATIVES LATTA, KEMP, GOODLING, FIEDLER, BOULTER, MARTIN, AND MACK

High taxes, unconscionably low defense levels and little real reduction in federal spending—this summarizes the House Democrats' budget. There is no way that we can support a plan based on this outline. It represents traditional Democrat philosophies, not ours.

The Democrats' development of this plan in closed caucuses mocked Congressional procedures and rules requiring openness and access. No opportunity was allowed for participation by Republican Members of the House or access to the Majority's negotiations.

To satisfy various interests within their party, Democrat budget writers had to use deceptive descriptions and misleading conceptual manipulations. As a result, it is difficult to tell exactly what the policy is behind their document at several crucial points.

TAXES

We see absolutely no reason for this budget to include additional revenues beyond those proposed by the President.

The Democrat budget provides for precisely the same amount of revenue for each of the next three years as the Senate-passed budget resolution. By accepting this level, the Democrats lock in Senate-level revenues as unconferenceable if customary scope of conference rules are observed.

The Democrats' plan would increase taxes by $54 billion over the next three years. This would push the overall tax burden up from the current 18.6 percent of GNP to 19.1 percent in 1988 and 1989. Virtually everyone thought Carter Administration tax burdens were far too high. Are we going to allow ourselves to be nickeled-and-dimed on the tax issue with "modest" tax increases until we get back to those Democrat high-tax levels?

Republicans are continually criticized for being unwilling to pay for desired government services. This is simply not true. We are more than willing to pay 100 cents on the dollar for an adequate national defense, for necessary services for those in need, and for a variety of other programs which can be best performed by the federal government.

What we are unwilling to pay for at the current funding levels, however, are myriad programs that either fail to deliver the services promised for the money or that benefit only a select few who could well afford to purchase the services out of their own pockets. As demonstrated in other sections of the "Views", Democrats have made scant effort to prune deadwood out of the federal budget. Until such an effort is made, we cannot seriously consider closing the budget gap with higher taxes. Although Republicans talk a lot about tax burdens—and they *are* a burden when they direct resources to socially-unproductive uses—government spending on programs with little benefit to society as a whole is also an immediate burden because programs use up human and physical resources that could be put to more productive use or could benefit more people.

Democrats claim they have raised taxes by $4.7 billion in FY 1987 solely for the purpose of producing a deficit below the required $144 billion target. In fact, with a deficit of $136.6 billion, they are $7.4 billion under target. The difference between the $4.7 billion in taxes dedicated to so-called deficit reduction and $7.4 billion is $2.7 billion. In mark-up, the Democrats claimed this $2.7 billion as "free money" which they then proceded to spend. Although an attempt to add back well over $1 billion in revenue sharing money was defeated for the time being, before the day was over the Democrats did succeed in adding back about $450 million in spending without touching their claimed $4.7 billion cushion. Since even without that extra tax revenue, the Democrat budget would be $2.7 billion below the target deficit, we can only conclude that the $4.7 billion was not added to insure against downside errors in forecasting the deficit (thus possibly triggering sequestration) as the Democrats claimed, but to protect themselves from themselves. The Democrats could not be sure that before the whole budget process is over, they would not add more than $2.7 billion more in additional spending. Republicans are skeptical about accepting a tax increase to reduce the deficit, but we certainly are not going to acquiesce in a tax hike to finance Democrat profligacy.

The bulk of the Democrats' tax increase is unspecified. This creates additional uncertainty, particularly for business. Capital spending continues to languish. The most recent quarterly Commerce Department survey indicated only slight increases in planned investment spending for the rest of the year, even excluding the oil industry. While there are a variety of factors influencing these decisions, one certainty is uncertainty over the outcome of tax reform legislation which in both House and Senate versions increases business taxes relative to those on individuals. Since Congress is almost certainly not going to raise individual income taxes, putting unspecified tax increases into the budget understandably increases business uncertainty. This, in turn, is likely to put further downward pressure on planned capital spending. As evidence of this Congressional sentiment, Budget Committee Chairman Gray himself was quoted at an April 29 Chamber of Commerce meeting as indicating that he "would perhaps support additional corporate taxes, depending on how they're targeted," to help reduce federal deficits. Because of the uncertainty that it creates, building tax increases into the budget resolution to reduce the deficit could be at least partially self-defeating.

For these reasons, we cannot support additional taxes beyond those requested by the President. We do not support them as part of this budget resolution, and we will not support them later should the Democrats attempt to enact legislation raising taxes. In short, there will be no bipartisan consensus in 1986 in the House of Representatives on a tax increase.

DEFENSE

No debate has consumed more time and energy in Congress than that on the level of spending for national defense.

Reasonable people disagree over what constitutes an adequate level of defense spending. What is sometimes lost in this debate over defense dollars and the deficit is the larger issue of how budget constraints affect U.S. military capabilities and, ultimately, national security.

The level which the Democrats have recommended to the House surpasses the bounds of reasonableness. They begin by proposing $285 billion in budget authority (BA) in fiscal year 1987. This is $2 billion less than the post-sequester 1986 level of $287 billion. It is $6 billion below the level which measures current services, i.e., cost of continuing all programs agreed to by Congress for fiscal year 1986.

In addition to inflicting cuts below a nominal freeze, the House Democrats further reduce proposed level by $3 billion with a so-called "fence" which makes that amount of money available only after receipt of a certified report for the Government Accounting Office on fiscal year 1986 Department of Defense (DOD) appropriations. As discussed below, fences are clever budgetary devices which have the appearance of dispensing funds but, in fact, have the effect of impounding them indefinitely.

The net impact of the Democrat budget is a BA level of $282 billion. This level will force our country to abandon global commitments and to alter our force structure radically, thereby jeopardizing our ability to maintain a credible deterrence to the Soviets.

The Democrat budget will reduce BA by $19 billion from the Congressional Budget Office baseline, which represents a current service level plus inflation. Their budget shows outlay reductions in excess of $10 billion resulting from this BA reduction. (The ratio of outlays and BA is 56 percent, a rate consistent with historic standards for across-the-board application to defense appropriation titles). It is implicit in the reduction that House Democrats are assuming substantial cutbacks in military personnel and operations and maintenance—the so-called readiness structure. In fact, these areas would bear over 50% of such BA reductions, or roughly $10 billion.

By deliberating reducing this function by such large amounts, the Democrats are altering our ability to maintain a proper geostrategic balance. Such a definitive reduction of personnel and readiness will force a restructuring of our overseas commitments. A scaled-down force structure will be less effective in providing deterrence and may, in fact, increase our reliance on nuclear retaliation, especially in Europe where the main offset to the Warsaw pact forces is the U.S. troop strength.

On the other hand, if these large BA and outlay reductions are to fall to a greater extent on investment accounts (procurement, research, development, testing and evaluation,) the result will be a hollow force. Modernization, sustainability and increased technological capability will suffer, thus reducing our operational effectiveness. We will have a structure akin to that which was charged with carrying out Desert One, the abortive Iranian hostage rescue plan of the Carter era.

It is generally agreed that modernization and readiness have improved sustainability in conflict. Measurements as to the degree of improvement are not readily quantifiable. The only true measures which exists is actual combat—a test one wishes to endure.

The success of our military rests with deterrence, not with conflict. It would be foolhardy to reverse the gains which have been achieved. In fact, it could be fatal. Our greatest leverage against the Soviets comes from technological advances.

Our strong dissent from the Democrats' level of spending is not based on carte blanche support for unending military expenditures. The Republicans in Congress, as well as in the Administration, recognize that efficiencies must be demanded from every department in the federal government—including Defense. Senator Barry Goldwater, who has championed a strong national defense throughout his public service career, has led the effort to reorganize the DOD to produce greater management flexibility and better financial oversight.

The Democrats' defense scheme lacks direction and does not constitute a credible proposal for reform. It is merely a cynical attempt to cut defense in the guise of deficit reduction and to stake out a bargaining position to reduce the conference agreement substantially below the Senate level.

With this action, the majority party has forsaken the strong national defense stance of its traditional wing led by the late Senator Henry Jackson. It has moved toward the isolationist, "blame America first" views propounded by George McGovern.

Despite protestation to the contrary, this six percent cut below the CBO baseline is prima facie evidence of the Democrats' willingness to risk significantly altering the current balance of power.

The U.S. still faces substantial challenges to its security. State-sponsored, global terrorism and the expansionist policies of the Soviet Union and its surrogates are major problems.

How U.S. forces might fare in conflict will hinge upon force structure, readiness and sustainability. Contracting these resources surely will increase our military risks. The Democrats seem willing to take these risks.

BUDGET PROCESS

This flawed Budget Resolution is a product of flawed committee procedures.

We began the 1987 budget cycle under the new "Gramm-Rudman" rules. Not only did these new procedures set forth a strategy for reducing the huge federal deficit over five years, but they required conscientious adherence to a rigorous timetable. To assure that Congress could complete action on the budget resolution, reconciliation legislation and appropriations bills in time to prevent sequestration, the timetable was accelerated. Action on the concurrent budget resolution was to have been completed by April 15th. Instead, this deadline was casually ignored by the House Democrats who feared the risk of taking a position without first seeing the Senate's plan.

Prior to the Committee meeting to report out the Democrat budget, only one business meeting of the House Budget Committee was held. Between this first meeting on January 28 and the markup session on May 8, not one committee business meeting was held to consider the Fiscal Year 1987 budget resolution. This was due, in part, to the fact that considerable money and committee time and energy were devoted to a nationwide field hearing tour set up solely to discredit the President's budget.

By mid-March, it was becoming obvious that the House Budget Committee was more interested in the politics of the budget process than in the substance. To distract attention from their inaction, the Democrat leadership concocted a special rule which brought the President's budget to the Floor on March 13, even though the Budget Committee still had not held a formal legislative meeting. We were told that serious work on the House budget resolution could not begin until the President's Budget had been considered. However, it was another 56 days before the Committee scheduled a meeting.

Lip service was given to developing a bipartisan budget during the final hours before committee markup. However, we were not presented with the Chairman's proposal until after 9 p.m. on the eve of the meeting. Despite this short time to analyze the contents of the proposal, the Republican members offered more than a dozen amendments to achieve real deficit reduction. It was apparent, however, that the only amendments involving dollar figures which would pass were Democrat amendments to add spending.

Consequently, it is little surprise that the document which emerged from this cavalier Budget Committee procedure is less a deficit reduction plan than a political statement intended to mislead the public.

FENCING

The budget process has adopted "fencing" as a new version of the old "bait and switch" routine. In budget parlance, a fence is used to make budget recommendations without scoring the policy.

The Housing Democrats used this clever trick for three major items: revenue sharing, defense spending and taxes. However, somewhat different kinds of fences were constructed for each item.

For the national security function, the Democrats used an "electric fence" to prevent the expenditure of $3 billion. The recipient—in this case the Department of Defense—can not get the impounded funds unless and until a DOD report has been filed with the House and the Senate, referred to the House and Senate Armed Services and Appropriations Committees, reviewed by the GAO, reported back to Congress and translated into a revised allocation to the Appropriations Committee. The budget resolution is silent as to what happens if this DOD report does not receive a favorable response in the Congress or GAO, but the strong presumption is that the allocation of the $3 billion would be denied. Therefore, budget authority for the defense budget is really $282 in the Democrats' budget rather than the $285 displayed in the resolution.

The fence around revenue sharing is more analogous to a widely-spaced picket fence which lets all sorts of creatures escape. In this case, it is the thing that would not die—revenue sharing. The language in the budget resolution says that this program, if authorized, can be funded from within the budget totals. Revenue sharing was terminated in the most recent budget reconciliation bill, and no allowance for the program is made in the budget resolution. But the fence creates the illusion that the resolution in some way provides for the program's continuation—perhaps with the $4.7 billion in "deficit reduction taxes."

The last fence proposed in this budget is for the $4.7 billion unspecified tax increase intended to be used exclusively for deficit reduction. This fence has no name but we have been assured that it was designed after a superb bastion—the Maginot Line. This fence will withstand virtually any effort to free the encumbered funds for Congressional spending unless, like the Maginot Line, it is simply bypassed.

We must commend the Democrats for their deft use of fences to offer goodies on one hand while they claim savings on the other. Had they been more prolific with their construction of fences, they could have reduced the deficit to zero. Then again, perhaps that is their secret compaign plan—to fence the national debt.

SPENDING CUTS AND ADD-ONS

We believe that the budget resolution ought to emphasize program reductions and terminations so that the size of government—and the size of the deficit along with it—can be shrunk to reasonable proportions. The Democrats' budget plan, howver, lists only two terminations—and neither of these are true terminations.

The first is revenue sharing, which was already terminated in the 1985 reconciliation bill. The other is the honey price support program. However, this termination did not reduce the deficit.

During mark-up, after a Republican amendment to eliminate the honey program and reduce the deficit by $111 million had been accepted, the issue was reconsidered and the $111 million was restored to other Agriculture programs. The result is that the authorizing committee will be able to use these funds to reinstate the honey program, Budget Committee report language notwithstanding. If ever there was a program worthy of termination, it is this one. It supports a domestic industry with one client—the American taxpayer. Assuming participation levels comparable to prior years, approximately 1,100 producers will receive $74 million—an average of $67,000 apiece. In 1983, the Federal government purchased 115 million pounds of honey, none of which ever went to the U.S. market. Instead, 110 million pounds of cheaper foreign honey were imported for domestic consumption.

Even though this is a deficit reduction resolution, program increases totaling $5 billion in FY 1987 outlays and $7.6 billion in budget authority are listed in the Democrats' budget plan. A few of these are items requested by the President for high priority programs, but many reflect the traditional Democrat big-spending outlook. These priorities are further reinforced since a number of the increases occur in programs which were protected from the 1986 sequestration.

In contrast, the Democrats' plan for spending cuts is remarkably vague. Only 20 specific domestic program reductions are actually identified by amount. These total $5.8 billion—compared to the $7.8 billion cut slated for defense.

Instead of specifying their spending cuts, the Democrats relied on two across-the-board techniques. The first is a freeze of discretionary spending at the 1986 budget authority level. This has the effect of denying program growth to keep pace with inflation. But to achieve the mandated deficit target, there is an additional across-the-board 2.5 percent reduction in discretionary programs. Thus, the vast majority of federal programs are targeted for a cut of 4.0 percent for the discretionary freeze plus 2.5 percent for the additional cut, for a total of 6.5 percent. We do not quarrel with the policy of achieving deficit reduction through program cuts; we merely note that it is difficult to tell from the Democrats' plan exactly where the cuts are intended to fall.

In the international affairs function, the 2.5 percent cut translates into a $250 million outlay reduction. This area of the budget has already been pruned back sharply under the specific cuts outlined in the Democrats' budget. We are concerned that squeezing the last $250 million out of this function would harm our closest allies.

In another feat of creative packaging, the Democrats portray their plan as having a 50/50 impact on defense and non-defense areas. Although under sequestration cuts would hit defense and domestic programs equally, it was never the implicit or explicit assumption under Gramm-Rudman that the budget resolution required equivalent reductions in defense and domestic programs. In the Democrat caucus it may be that a 50/50 approach is the only way to get political consensus. If that is the case, it is only fair to point out that this budget hits domestic spending much harder than the 50/50 presentation would suggest. They show defense cuts of $7.8 billion. Military retirement COLAs add another $200 million for a total of nearly $9 billion in the defense area. An honest accounting of domestic impact, however, includes not only the $7.65 of program cuts and another $250 million in retirement COLAs and $2 billion in social security COLAs, but also $4 billion in asset sales, $1 billion in user fees, a federal grab of several billion in oil overcharges and, of course, $13.2 billion in revenues (in addition to the $844 billion in baseline revenues) all of which will be taken from the domestic side of the economy. Thus, over $28 billion of the deficit reduction impact will come from non-defense areas, producing a budget that distributes more like 25/75 than 50/50.

THE DEMOCRATS' BUDGET STRATEGY

This budget fulfills two important Democrat needs. First, it provides political cover by offering an an alternative to sequestration a plan that involves vague, unspecified cuts, unjustified tax increases, and an added $5 billion in spending increases, mostly in social welfare programs.

Second, it serves to establish a benchmark for appropriations bills which will soon begin coming to the Floor of the House. Even if conference agreement is never achieved, House passage of this budget resolution will facilitate domestic appropriations levels higher than the President's budget, higher than 1986 spending and higher in many cases than current policy levels. In fact, it might be cheaper for the nation not to pass this budget resolution than to vote for it and risk an election-year spending-as-usual appropriations scenario.

This budget resolution is a typical Democrat plan for higher taxes, lower defense, and a continuation of the federal spending machine. It is a terrible resolution to send into conference. We opposes it in committee, and we urge our colleagues to join us in opposing it on the floor.

DELBERT L. LATTA.
JACK KEMP.
BILL GOODLING.
BOBBI FIEDLER.
BEAU BOULTER.
LYNN MARTIN.
CONNIE MACK.

ADDITIONAL DISSENTING VIEWS OF CONGRESSMAN JACK KEMP

The House Budget Committee Democrat's tax increases on the American Family and defense reductions are bad policy. They are also unnecessary to meet the Gramm-Rudman-Hollings deficit targets.

Today, the economic outlook has improved significantly since the House Budget Committee's forecast was prepared late last year, when a number of recent dramatic developments were not yet fully evident—events like the dramatic drop in interest rates, the large drop in the oil price, the increase in competitiveness of U.S. exports, and the virtual elimination of wholesale and consumer price inflation.

These changes will automatically reduce government outlays and quicken the pace of economic growth later this year and next. Just taking into account the current economic improvement—which is an economic reality—could mean a substantial decrease in the deficit. It is vital, therefore, to update the economic assumptions to consider this new economic reality, as I and a number of colleagues have asked.

Compared with even the 1st quarter numbers, the House Budget Committee Democrat's forecast—prepared less than 4 months ago—is already hopelessly out of date (see chart). The Democrat's forecast assumes 10-years corporate bonds of 9.1% for the first quarter of 1986; instead, they are currently 7.5%—about a hundred and fifty basis points lower. And the Budget Committee Democrat's budget forecast doesn't assume long-term rates will get as low as they are *now* until 1989 (see chart).

The Democrat's budget forecast assumes 3-month Treasury bills of 7.1% in the first quarter of 1986 (see chart). The actual T-bill rate is already around 6%—one hundred basis points below the current forecast. The Democrat's forecast doesn't assume T-bills drop to that level until 1989.

The lower interest rate levels could have a substantial impact on the the deficit: the Congressional Budget Office (CBO) says that 1 percentage point lower interest rates would alone reduce the FY 1987 deficit by $9 billion and the 1991 deficit by $25 billion. Yet the Budget Committee Democrats reject using the actual interest rate numbers, which are the current reality, in favor of higher levels, which are only an outdated forecast. As a result, debt service costs are raised artificially in the Democrat's budget.

The oil price is also much lower than the Budget Committee Democrat's forecast. They estimated oil at $26 a barrel; it is in reality between $10 and $15 a barrel. A wide range of private forecasters estimate that a $5 drop in oil prices raises GNP by about one-half percentage point. Even higher sustained economic growth of 1 percentage point, says CBO, would reduce the FY 1988 deficit by $48 billion. Once again, rather than incorporate current low oil prices in their forecast, the Budget Committee Democrats have insisted on using outdated and irrelevant numbers that artifically inflate the budget deficit.

Inflation is also much below the House Democrat forecast. In both February and March, consumer prices dropped by 0.4%, their sharpest monthly declines in 32 years, due mostly to falling oil prices and partly to lower food prices. Analysts expect a continued fall, leading to the least inflationary year since the early 1960s. Instead of the reality of falling prices, the Democrats assumed a 1st quarter CPI-W of 4.6%, and a yearly 3.4% inflation rate (see chart). With lower inflation, indexed programs like social security and government pensions will be automatically reduced, and Congress frequently adjusts discretionary spending like defense to account for lower inflation. Though consumer and wholesale prices are falling, the Budget Committee Democrats nonetheless have insisted on assuming higher inflation.

Moreover, the value of the dollar has dropped in international currency markets far more than the House Democrat's forecast. A reduction in the dollar against our major trading partners increases our competitiveness and helps reduce the U.S. trade deficit—all other things being equal. Despite this dramatic development, and all it means for our export and import-competing industries, House Budget Committee Democrats assume the dollar will rise sharply from today's levels.

To be sure, other factors may work in the other direction, such as the slow pace of economic growth in the last quarter of 1985 and lower nominal incomes as a result of lower inflation (though lower inflation is ultimately bullish for the U.S. economy).

But a broad range of government and private sector experts believe that when all these factors are considered, the FY 1987 deficit will be substantially lower than the Budget Committee Democrats now forecast perhaps by tens of billions of dollars, bringing the FY 1987 deficit to the $150-160 billion range or lower. Future year deficits will be affected even more.

The bottom line is that the Gramm-Rudman-Hollings deficit targets can easily be met without the Budget Committee Democrat's high taxes domestically and isolationism abroad. The chief lesson to be learned in this budget exercise is that the necessary prerequisite to achieving the Gramm-Rudman-Hollings deficit targets in a responsible manner, and achieving a balanced budget by the end of the decades is to generate strong economic growth and to lower interest rates. The Democrat Budget Committee's resolution is so disappointing precisely because its tax increases would dampen economic growth and spur higher government spending.

It's time the Democrats stop treating the good news about the economy and budget as an unwelcome development. 41 straight months of recovery; inflation virtually extinguished; a rising stock market; declining interest rates; ailing oil prices; a deficit that is shrinking on its own volition; and a President who is curbing the spending appetites of the Congress. This could be the strongest and longest non-inflationary economic recovery in our history.

This doesn't look like a failing strategy to me, and apparently not to the American people either. Why would anyone want to go back to the days of escalating taxes and lower defense preparedness, especially when the budget deficit numbers are declining?

No one can eradicate the Budget Committee Democrat's belief that suffering by the American people is good for the economy; it's deeply ingrained. But it doesn't stand a minute's analysis, and neither does the Democrat's budget resolution.

HOUSE BUDGET COMMITTEE DEMOCRAT'S BUDGET FORECAST VERSUS CURRENT ECONOMIC PERFORMANCE

[In percent, calendar years]

	1986				1987	1988	1989
	1st qtr.	2d qtr.	3d qtr.	4th qtr.			
10-year bond rate—forecast	9.1	9.0	9.1	8.8	8.9	8.2	7.5
Actual [1]	7.5						
3-month Treasury bills—forecast	7.1	6.6	6.8	6.7	6.7	6.4	6.1
Actual [1]	6.06						
CPI–W	4.6	1.8	2.9	4.7	4.2	4.4	4.4
Actual [1]	−0.4						
Oil price	$26.00						
Actual [1]	$15.50						

[1] Current numbers as of May 12, 1986, from New York Times.

JACK KEMP.

SUPPLEMENTAL DISSENTING VIEWS OF HON. HANK BROWN

In response to our deficit crisis, the Committee's recommendation increases both spending and taxes. Budget authority rises by almost $25 billion over the 1986 level and outlays will increase at least $8 billion. The Committee calls for a tax increase of $10.7 billion on top of an assumed $68.7 billion growth in revenues.

Our deficit problems are the result of runaway spending, not undertaxation. Spending increased over 67 percent and revenues by more than 50 percent between FY 1980 and FY 1986. If the current proposal is adopted, revenues will have gone up nearly 65 percent between 1980 and 1987 and our nation will still be facing a huge deficit.

The Committee resorts to flim-flam accounting to reach its deficit target. Its recommendation underestimates the deficit by at least $7 billion.

By assuming that inflation will be 2 percent when calculating cost-of-living allowances for retirement programs, savings in outlays are assumed. On the other hand in an effort to boost income, the Committee uses a 4.1 percent inflation level when calculating revenues.

The accounting sham can also be found in the language that permits General Revenue Sharing to continue if Congress authorizes it, but does not count any revenue sharing expenditures projecting outlays. These utterly inconsistent and bogus assumptions dramatically understate the proposed deficit.

Real progress in reducing the deficit must also include the elimination of some of the myriad of wasteful, pork barrel spending that abounds in the budget. These wasteful programs remain largely untouched in the Committee's proposal.

HANK BROWN.

XI. HOUSE CONCURRENT RESOLUTION 337

That the Congress hereby determines and declares that the concurrent resolution on the budget for fiscal year 1987 is established and the appropriate budgetary levels for fiscal years 1988 and 1989 are set forth.

(a) The following levels and amounts are set forth for purposes of determining, in accordance with section 301(i) of the Congressional Budget and Impoundment Control Act of 1974, as amended by the Balanced Budget and Emergency Deficit Control Act of 1985, whether the maximum deficit amount for a fiscal year has been exceeded:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1987: $857,200,000,000.
Fiscal year 1988: $941,200,000,000.
Fiscal year 1989: $1,011,900,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1987: $1,086,350,000,000.
Fiscal year 1988: $1,159,650,000,000.
Fiscal year 1989: $1,205,350,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1987: $994,250,000,000.
Fiscal year 1988: $1,047,050,000,000.
Fiscal year 1989: $1,076,150,000,000.

(4) The amounts of the deficits are as follows:

Fiscal year 1987: $137,050,000,000.
Fiscal year 1988: $105,850,000,000.
Fiscal year 1989: $64,250,000,000.

(b) The following budgetary levels are appropriate for the fiscal years beginning on October 1, 1986, October 1, 1987, and October 1, 1988:

(1) The recommended levels of Federal revenues are as follows:

Fiscal year 1987: $643,850,000,000.
Fiscal year 1988: $700,550,000,000.
Fiscal year 1989: $750,750,000,000.

and the amounts by which the aggregate levels of Federal revenues should be increased are as follows:

Fiscal year 1987: $10,700,000,000.
Fiscal year 1988: $17,400,000,000.
Fiscal year 1989: $17,700,000,000.

and of those amounts by which revenues should be increased, the following amounts shall be used solely for the purpose of reducing the deficits below the maximum deficit amounts:

Fiscal year 1987: $4,700,000,000.

Fiscal year 1988: $11,200,000,000.
Fiscal year 1989: $10,500,000,000.

and the amounts for Federal Insurance Contributions Act revenues for hospital insurance within the recommended levels of Federal revenues are as follows:

Fiscal year 1987: $55,700,000,000.
Fiscal year 1988: $60,150,000,000.
Fiscal year 1989: $64,250,000,000.

(2) The appropriate levels of total new budget authority are as follows:

Fiscal year 1987: $873,000,000,000.
Fiscal year 1988: $918,950,000,000.
Fiscal year 1989: $944,050,000,000.

(3) The appropriate levels of total budget outlays are as follows:

Fiscal year 1987: $798,200,000,000.
Fiscal year 1988: $840,150,000,000.
Fiscal year 1989: $857,650,000,000.

(4) The amounts of the deficits in the budget which are appropriate in the light of economic conditions and all other relevant factors are as follows:

Fiscal year 1987: $154,350,000,000.
Fiscal year 1988: $139,600,000,000.
Fiscal year 1989: $106,900,000,000.

(5) The appropriate levels of the public debt are as follows:

Fiscal year 1987: $2,319,600,000,000.
Fiscal year 1988: $2,516,900,000,000.
Fiscal year 1989: $2,685,100,000,000.

(6) The appropriate levels of total Federal credit activity for the fiscal years beginning on October 1, 1986, October 1, 1987, and October 1, 1988, are as follows:

Fiscal year 1987:
(A) New direct loan obligations, $34,250,000,000.
(B) New primary loan guarantee commitments, $85,400,000,000.
Fiscal year 1988:
(A) New direct loan obligations, $32,250,000,000.
(B) New primary loan guarantee commitments, $87,300,000,000.
Fiscal year 1989:
(A) New direct loan obligations, $30,600,000,000.
(B) New primary loan guarantee commitments, $87,650,000,000.

(c) The Congress hereby determines and declares the appropriate levels of budget authority and budget outlays, and the appropriate levels of new direct loan obligations, and new primary loan guarantee commitments for fiscal years 1987 through 1989 for each major functional category are:

(1) National Defense (050):
Fiscal year 1987:
(A) New budget authority, $285,000,000,000.
(B) Outlays, $276,200,000,000.
(C) New direct loan obligations, $.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $295,500,000,000.

(B) Outlays, $281,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $306,500,000,000.

(B) Outlays, $290,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(2) International Affairs (150):

Fiscal year 1987:

(A) New budget authority, $17,000,000,000.

(B) Outlays, $13,800,000,000.

(C) New direct loan obligations, $7,150,000,000.

(D) New primary loan guarantee commitments, $11,400,000,000

Fiscal year 1988:

(A) New budget authority, $17,300,000,000.

(B) Outlays, $13,550,000,000.

(C) New direct loan obligations, $7,100,000,000.

(D) New primary loan guarantee commitments, $11,400,000,000

Fiscal year 1989:

(A) New budget authority, $15,900,000,000.

(B) Outlays, $12,850,000,000.

(C) New direct loan obligations, $7,100,000,000.

(D) New primary loan guarantee commitments, $11,400,000,000.

(3) General Science, Space, and Technology (250):

Fiscal year 1987:

(A) New budget authority, $8,800,000,000.

(B) Outlays, $8,750,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $8,750,000,000.

(B) Outlays, $8,750,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $8,800,000,000.

(B) Outlays, $8,650,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(4) Energy (270):

Fiscal year 1987:

(A) New budget authority, $4,900,000,000.

(B) Outlays, $4,850,000,000.

(C) New direct loan obligations, $1,950,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $4,650,000,000.

(B) Outlays, $4,150,000,000.

(C) New direct loan obligations, $1,950,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $4,800,000,000.

(B) Outlays, $3,750,000,000.

(C) New direct loan obligations, $1,950,000,000.

(D) New primary loan guarantee commitments, $0.

(5) Natural Resources and Environment (300):

Fiscal year 1987:

(A) New budget authority, $11,950,000,000.

(B) Outlays, $12,250,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $12,000,000,000.

(B) Outlays, $12,150,000,000.

(C) New direct loan obligations, $100,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $11,800,000,000.

(B) Outlays, $12,200,000,000.

(C) New direct loan obligations, $50,000,000.

(D) New primary loan guarantee commitments, $0.

(6) Agriculture (350):

Fiscal year 1987:

(A) New budget authority, $23,800,000,000.

(B) Outlays, $23,550,000,000.

(C) New direct loan obligations, $14,300,000,000.

(D) New primary loan guarantee commitments, $8,000,000,000.

Fiscal year 1988:

(A) New budget authority, $26,000,000,000.

(B) Outlays, $24,800,000,000.

(C) New direct loan obligations, $12,100,000,000.

(D) New primary loan guarantee commitments, $8,500,000,000.

Fiscal year 1989:

(A) New budget authority, $25,300,000,000.

(B) Outlays, $21,550,000,000.

(C) New direct loan obligations, $11,350,000,000.

(D) New primary loan guarantee commitments, $8,650,000,000.

(7) Commerce and Housing Credit (370):

Fiscal year 1987:

(A) New budget authority, $9,800,000,000.

(B) Outlays, $2,200,000,000.

(C) New direct loan obligations, $4,450,000,000.

(D) New primary loan guarantee commitments, $38,750,000,000.

Fiscal year 1988:

(A) New budget authority, $9,350,000,000.

(B) Outlays, $5,100,000,000.

(C) New direct loan obligations, $4,600,000,000.

(D) New primary loan guarantee commitments, $39,100,000,000.

Fiscal year 1989:

(A) New budget authority, $7,550,000,000.

(B) Outlays, $1,300,000,000.

(C) New direct loan obligations, $4,850,000,000.

(D) New primary loan guarantee commitments, $38,450,000,000.

(8) Transportation (400):

Fiscal year 1987:

(A) New budget authority, $24,600,000,000.

(B) Outlays, $25,500,000,000.

(C) New direct loan obligations, $500,000,000.

(D) New primary loan guarantee commitments, $50,000,000.

Fiscal year 1988:

(A) New budget authority, $26,350,000,000.

(B) Outlays, $26,450,000,000.

(C) New direct loan obligations, $400,000,000.

(D) New primary loan guarantee commitments, $50,000,000.

Fiscal year 1989:

(A) New budget authority, $26,300,000,000.

(B) Outlays, $26,350,000,000.

(C) New direct loan obligations, $200,000,000.

(D) New primary loan guarantee commitments, $50,000,000.

(9) Community and Regional Development (450):

Fiscal year 1987:

(A) New budget authority, $6,300,000,000.

(B) Outlays, $7,000,000,000.

(C) New direct loan obligations, $950,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

Fiscal year 1988:

(A) New budget authority, $6,450,000,000.

(B) Outlays, $7,050,000,000.

(C) New direct loan obligations, $1,200,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

Fiscal year 1989:

(A) New budget authority, $6,500,000,000.

(B) Outlays, $6,600,000,000.

(C) New direct loan obligations, $1,050,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(10) Education, Training, Employment, and Social Services (500):

Fiscal year 1987:

(A) New budget authority, $33,750,000,000.

(B) Outlays, $30,600,000,000.

(C) New direct loan obligations, $1,500,000,000.

(D) New primary loan guarantee commitments, $10,300,000,000.

Fiscal year 1988:

(A) New budget authority, $32,850,000,000.

(B) Outlays, $32,300,000,000.

(C) New direct loan obligations, $1,400,000,000.

(D) New primary loan guarantee commitments, $10,700,000,000.

Fiscal year 1989:

(A) New budget authority, $33,800,000,000.

(B) Outlays, $33,100,000,000.

(C) New direct loan obligations, $1,250,000,000.

(D) New primary loan guarantee commitments, $10,950,000,000.

(11) Health (550):

Fiscal year 1987:

(A) New budget authority, $38,650,000,000.

(B) Outlays, $38,350,000,000.

(C) New direct loan obligations, $0

(D) New primary loan guarantee commitments, $300,000,000.

Fiscal year 1988:

(A) New budget authority, $40,500,000,000.

(B) Outlays, $40,700,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $300,000,000.

Fiscal year 1989:

(A) New budget authority, $42,700,000,000.

(B) Outlays, $42,800,000,000.

(C) New direct loan obligations, $50,000,000.

(D) New primary loan guarantee commitments, $300,000,000.

(12) Medicare (570):

Fiscal year 1987:

(A) New budget authority, $83,000,000,000.

(B) Outlays, $73,400,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $91,400,000,000.

(B) Outlays, $81,850,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $101,450,000,000.

(B) Outlays, $91,350,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(13) Income Security (600):

Fiscal year 1987:

(A) New budget authority, $165,250,000,000.

(B) Outlays, $121,400,000,000.

(C) New direct loan obligations, $1,800,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $172,900,000,000.

(B) Outlays, $127,000,000.

(C) New direct loan obligations, $1,900,000,000.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $176,500,000,000.

(B) Outlays, $130,600,000,000.

(C) New direct loan obligations, $1,450,000,000.

(D) New primary loan guarantee commitments, $0.

(14) Social Security (650):

Fiscal year 1987:

(A) New budget authority, $5,500,000,000.

(B) Outlays, $5,500,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:

(A) New budget authority, $6,150,000,000.

(B) Outlays, $6,150,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:

(A) New budget authority, $6,900,000,000.

(B) Outlays, $6,850,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.

(15) Veterans Benefits and Services (700):

Fiscal year 1987:

(A) New budget authority, $27,050,000,000.

(B) Outlays, $26,700,000,000.

(C) New direct loan obligations, $1,550,000,000.

(D) New primary loan guarantee commitments, $16,300,000,000.

Fiscal year 1988:

(A) New budget authority, $27,450,000,000.

(B) Outlays, $27,050,000,000.

(C) New direct loan obligations, $1,500,000,000.

(D) New primary loan guarantee commitments, $16,950,000,000.

Fiscal year 1989:

(A) New budget authority, $27,300,000,000.

(B) Outlays, $26,900,000,000.

(C) New direct loan obligations, $1,300,000,000.

(D) New primary loan guarantee commitments, $17,550,000,000.

(16) Administration of Justice (750):

Fiscal year 1987:

(A) New budget authority, $7,200,000,000.

(B) Outlays, $7,150,000,000.

(C) New direct loan obligations, $0.

(D) New primary loan guarantee commitments, $0.
Fiscal year 1988:
(A) New budget authority, $7,150,000,000.
(B) Outlays, $7,250,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1989:
(A) New budget authority, $7,250,000,000.
(B) Outlays, $7,350,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(17) General Government (800):
Fiscal year 1987:
(A) New budget authority, $5,750,000,000.
(B) Outlays, $5,650,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1988:
(A) New budget authority, $6,150,000,000.
(B) Outlays, $6,050,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1989:
(A) New budget authority, $6,150,000,000.
(B) Outlays, $6,200,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(18) General Purpose Fiscal Assistance (850):
Fiscal year 1987:
(A) New budget authority, $1,850,000,000.
(B) Outlays, $2,650,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1988:
(A) New budget authority, $1,900,000,000.
(B) Outlays, $1,900,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1989:
(A) New budget authority, $2,000,000,000.
(B) Outlays, $2,000,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
(19) Net Interest (900):
Fiscal year 1987:
(A) New budget authority, $148,150,000,000.
(B) Outlays, $149,150,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1988:
(A) New budget authority, $157,950,000,000.
(B) Outlays, $157,950,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.
Fiscal year 1989:
(A) New budget authority, $158,050,000,000.

(B) Outlays, $158,050,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

(20) Allowances (920):

Fiscal year 1987:
(A) New budget authority, $550,000,000.
(B) Outlays, $600,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:
(A) New budget authority, $1,600,000,000.
(B) Outlays, $1,700,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:
(A) New budget authority, $2,650,000,000.
(B) Outlays, $2,850,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

(21) Undistributed Offsetting Receipts (950):

Fiscal year 1987:
(A) New budget authority,—$5,850,000,000.
(B) Outlays,—$36,050,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

Fiscal year 1988:
(A) New budget authority,—$33,400,000,000.
(B) Outlays,—$33,400,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

Fiscal year 1989:
(A) New budget authority,—$34,150,000,000.
(B) Outlays,—$34,150,000,000.
(C) New direct loan obligations, $0.
(D) New primary loan guarantee commitments, $0.

RECONCILIATION

SEC. 2. (a) Not later than June 5, 1986 the committees named in subsections (b) through (u) of this section shall sumit their recommendations to the Committees on the Budget of their respective Houses. After receiving those recommendations, the Committees on the Budget shall report to the House and Senate a reconciliation bill or resolution or both carrying out all such recommendations without any substantive revision.

(b) The House Committee on Agriculture shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $80,000,000 and outlays $79,000,000 in fiscal year 1987; decrease budget authority by $83,000,000 and outlays by $83,000,000 in fiscal year 1988; and decrease budget authority by $84,000,000 and outlays by $84,000,000 in fiscal year 1989.

(c) The House Committee on Banking, Finance, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and oultays; or (3) any combination thereof, as follows: increase budget authority by $642,000,000 and decrease outlays by $1,158,000,000 in fiscal year 1987; decrease budget authority by $0 and outlays by $23,000,000 in fiscal year 1988; and increase budget authority by $164,000,000 and decrease oultays by $46,000,000 in fiscal year 1989.

(d)(1) The House Committee on Education and Labor shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $25,000,000 and outlays by $25,000,000 in fiscal year 1987; decrease budget authority by $150,000,000 and outlays by $135,000,000 in fiscal year 1988; and decrease budget authority by $250,000,000 and outlays by $235,000,000 in fiscal year 1989.

(d)(2) The House Committee on Education and Labor shall report changes in laws within its jurisdiction which provide credit authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1987, $18,000,000 in fiscal year 1988, and $97,000,000 in fiscal year 1989; and to reduce primary loan guarantees by $235,000,000 in fiscal year 1987, $15,000,000 in fiscal year 1988, and increase primary loan guarantees by $55,000,000 in fiscal year 1989.

(e) The House Committee on Energy and Commerce shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget auhority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $2,713,000,000 and outlays by $2,955,000,000 in fiscal year 1987; decrease budget authority by $415,000,000 and outlays by $886,000,000 in fiscal year 1988; and decrease budget authority by $402,000,000 and outlays by $1,114,000,000 in fiscal year 1989.

(f) The House Committee on Interior and Insular Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $448,000,000 and outlays by $448,000,000 in fiscal year 1987; decrease budget authority by $383,000,000 and outlays by $383,000,000 in fiscal year 1988; and decrease budget authority by $374,000,000 and outlays by $374,000,000 in fiscal year 1989.

(g) The House Committee on Merchant Marine and Fisheries shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $170,000,000 and outlays by $170,000,000 in fiscal year 1987; decrease budget authority by $180,000,000 and outlays by $180,000,000 in fiscal year 1988; and decrease budget authority by $200,000,000 and outlays by $200,000,000 in fiscal year 1989.

(h) The House Committee on Post Office and Civil Service shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: increase budget authority by $950,000,000 and decrease outlays by $700,000,000 in fiscal year 1987; increase budget authority by $1,500,000,000 and decrease outlays by $950,000,000 in fiscal year 1988; and increase budget authority by $850,000,000 and decrease outlays by $2,150,000,000 in fiscal year 1989.

(i) The House Committee on Public Works and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $836,000,000 and outlays by $119,000,000 in fiscal year 1987; decrease budget authority by

$836,000,000 and outlays by $479,000,000 in fiscal year 1988; and decrease budget authority by $836,000,000 and outlays by $544,000,000 in fiscal year 1989.

(j) The House Committee on Science and Technology shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $50,000,000 and outlays by $50,000,000 in fiscal year 1987; decrease budget authority by $0 and outlays by $0 in fiscal year 1988; and decrease budget authority by $0 and outlays by $0 in fiscal year 1989.

(k) The House Committee on Small Business shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $438,000,000 and outlays by $343,000,000 in fiscal year 1987; decrease budget authority by $399,000,000 and outlays by $55,000,000 in fiscal year 1988; and decrease budget authority by $223,000,000 and outlays by $14,000,000 in fiscal year 1989.

(l) The House Committee on Ways and Means shall report changes in law within the jurisdiction of that committee sufficient to reduce the budget deficit by $4,200,000,000 in fiscal year 1987; to reduce the budget deficit by $3,695,000,000 in fiscal year 1988; and to reduce the budget deficit by $3,740,000,000 in fiscal year 1989.

SENATE COMMITTEES

(m) The Senate Committee on Agriculture, Nutrition, and Forestry shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $80,000,000 and outlays by $79,000,000 in fiscal year 1987; decrease budget authority by $83,000,000 and outlays $83,000,000 in fiscal year 1988; and decrease budget authority by $84,000,000 and outlays by $84,000,000 in fiscal year 1989.

(n) The Senate Committee on Banking, Housing, and Urban Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: increase budget authority by $642,000,000 and decrease outlays by $1,158,000,000 in fiscal year 1987; decrease budget authority by $0 and outlays by $23,000,000 in fiscal year 1988; and increase budget authority by $164,000,000 and decrease outlays by $46,000,000 in fiscal year 1989.

(o) The Senate Committee on Commerce, Science, and Transportation shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce authority and outlays; (2) changes in laws within it jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $170,000,000 and outlays by $170,000,000 in fiscal year 1987; decrease budget authority by $180,000,000 and outlays by $180,000,000 in fiscal year 1988; and decrease budget authority by $200,000,000 and outlays by $200,000,000 in fiscal year 1989.

(p) The Senate Committee on Energy and Natural Resources shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $2,185,000,000 and outlays by $2,377,000,000 in fiscal year 1987; increase budget authority by $82,000,000 and outlays by $61,000,000 in fiscal year 1988; and increase budget authority by $78,000,000 and outlays $66,000,000 in fiscal year 1989.

(q) The Senate Committee on Environment and Public Works shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $1,124,000,000 and outlays by $407,000,000 in fiscal year 1987; decrease budget authority by $1,101,000,000 and outlays by $744,000,000 in fiscal year 1988; and decrease budget authority by $1,088,000,000 and outlays by $796,000,000 in fiscal year 1989.

(r) The Senate Committee on Finance shall report changes in law within the jurisdiction of that committee sufficient to reduce the budget deficit by $4,200,000,000 in fiscal year 1987; to reduce he budget deficit by $3,695,000,000 in fiscal year 1988; and to reduce the budget deficit by $3,740,000,000 in fiscal year 1989.

(s) The Senate Committee on Governmental Affairs shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: increase budget authority by $950,000,000 and decrease outlays by $700,000,000 in fiscal year 1987; increase budget authority by $1,500,000,000 and decrease outlays by $950,000,000 in fiscal year 1988; and increase budget authority by $850,000,000 and decrease outlays by $2,150,000,000 in fiscal year 1989.

(t)(1) The Senate Committee on Labor and Human Resources shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $25,000,000 and outlays by $25,000,000 in fiscal year 1987; decrease budget authority by $150,000,000 and outlays by $135,000,000 in fiscal year 1988; and decrease budget authority by $250,000,000 and outlays by $235,000,000 in fiscal year 1989.

(t)(2) The Senate Committee on Labor and Human Resources shall report changes in laws within its jurisdiction which provide credit authority as defined in section 3(10) of the Congressional Budget and Impoundment Control Act of 1974, sufficient to reduce direct loan obligations by $0 in fiscal year 1987, $18,000,000 in fiscal year 1988, and $97,000,000 in fiscal year 1989; to reduce primary loan guarantees by $235,000,000 in fiscal year 1987, $15,000,000 in fiscal year 1988; and increase primary loan guarantees by $55,000,000 in fiscal year 1989.

(u) The Senate Committee on Small Business shall report (1) changes in laws within its jurisdiction which provide spending authority, as defined in section 401(c)(2)(C) of the Congressional Budget Act of 1974, sufficient to reduce budget authority and outlays; (2) changes in laws within its jurisdiction other than those which provide spending authority as defined in section 401(c)(2)(C) of the Act, sufficient to achieve savings in budget authority and outlays; or (3) any combination thereof, as follows: decrease budget authority by $438,000,000 and outlays by $343,000,000 in fiscal year 1987; decrease budget authority by $399,000,000 and outlays by $55,000,000 in fiscal year 1988; and decrease budget authority by $223,000,000 and outlays by $14,000,000 in fiscal year 1989.

ESTABLISHMENT OF DEFICIT REDUCTION ACCOUNT

SEC. 3. (a) Revenues increased through legislative action above $6,000,000,000 in fiscal year 1987, $6,200,000,000 in fiscal year 1988, and $7,200,000,000 in fiscal year 1989, shall be used solely for the purpose of reducing the Federal deficit.

(b) These additional revenues shall be set forth separately in the congressional budget and clearly identified as for the purpose of deficit reduction only.

(c) The President shall immediately take such steps as are necessary to establish a separate account in the Treasury into which revenues referred to in subsection (a) shall be deposited. The account shall be administered in such a way as to insure that moneys deposited in the fund are available solely for the purpose of deficit reduction. The President shall report on an annual basis to the Congress on the financial condition of the fund and the extent to which the fund has reduced the Federal deficit.

RESERVATION OF DEFENSE BUDGET AUTHORITY

SEC. 4. (a) Of the recommended level of fiscal year 1987 budget authority set forth in section 1 of this resolution for Function 050 (National Defense), $3,000,000,000 is hereby reserved from allocation to the Committee on Appropriations under section 302(a) of the Congressional Budget Act of 1974.

(b) The Secretary of Defense is directed to transmit a report to the Speaker of the House of Representatives and the President pro tempore of the Senate setting forth a full and complete accounting of all moneys appropriated to the Department of Defense for fiscal year 1986 in excess of sums needed to cover inflation. Such report shall be referred to the Committee on Appropriations and Committee on Armed Services of each House. The Committee on the Budget of each House shall be notified upon the transmittal of such report.

(c) The report described in subsection (b) shall also be submitted to the General Accounting Office which shall report to the Congress within a period of fourteen days on its findings as to that report.

(d) After the date on which the report of the General Accounting Office described in subsection (c) is transmitted, the Committee on the Budget of each House is authorized and directed to report to its respective House within five legislative days a revised allocation pursuant to section 302(a) of the Congressional Budget Act of 1974 of new budget authority to the Committee on Appropriations reflecting the full amount of budget authority described in subsection (a).

(e) For fiscal years 1988 and 1989, the Secretary of Defense shall, within 90 days of the close of each such fiscal year, issue to the Speaker of the House of Representatives and the President pro tempore of the Senate, a report accounting for any moneys appropriated for each respective prior fiscal year to cover inflation, which have not been obligated for such purposes.

GNP DEFLATOR

SEC. 5. The Committees on Armed Services of the House and Senate shall report legislation prohibiting the Department of Defense from using an arbitrary deflator (one not based on historical or factual data) for major weapons systems which would provide funding for major weapons systems inflation in excess of the GNP deflator.

SHUTTLE ORBITER REPLACEMENT

SEC. 6. Notwithstanding the spending levels contained in section 1 of this resolution, funding for a shuttle orbiter to replace NASA's Challenger, lost on January 28, 1986, would be appropriate if an authorization for such funding is enacted into law.

GENERAL REVENUE SHARING

SEC. 7. The spending levels contained in section 1 of this resolution would not preclude funding for an extension of general revenue sharing under the State and Local Assistance Act of 1972 through the end of fiscal year 1989 if an authorization for such funding is enacted into law.

STRATEGIC PETROLEUM RESERVE

SEC. 8. It is the sense of the Congress that the policy to fill the Strategic Petroleum Reserve to an ultimate capacity of 750 million barrels be reaffirmed. It is also recommended that the Federal Government purchase oil for the Reserve in a way designed to help domestic stripper oil well producers so as to minimize the shutting-in of stripper production.

COOPERATIVE EXTENSION SERVICE

SEC. 9. It is the sense of the Congress that Federal funds for the Cooperative Extension Service of the Department of Agriculture should be maintained at a level sufficient to carry out fully the vital services it is providing to rural America during a time of extreme stress. It is further assumed that this funding will be used especially to support and strengthen such core programs as 4–H Youth Development, Home Economics and Family Living, Natural Resources and Community Development, and services that provide agricultural financial analysis and farm management instruction.

FOREIGN AGRICULTURAL INVESTMENT REFORM

SEC. 10. It is the sense of the Congress that the use of foreign aid funds for financing the foreign production for export use of agricultural commodities already in surplus on world markets is a counter-productive use of American tax dollars as well as devastating to the American farmer who loses export markets from the unfairly subsidized competition.

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